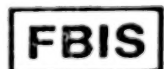


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16 November 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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16 November 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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EDITORIAL CRITICIZES EXCESSIVE POWER CONSUMPTION

AU241152 Bratislava PRAVDA in Slovak 23 Oct 84 p 1

[Editorial: "The End of the Energy Year"]

[Excerpts] Most large electricity consumers used about 5 percent more electricity in the first quarter of this year than in the same period last year. We know that our country must import a considerable part--about two-fifths--of our primary energy resources. Yet in the first half of the year, gross labor productivity increased at about the same rate as energy consumption. This boils down to an extensive method of the economy's development, which we have been trying to overcome for a number of years by streamlining consumption. The final accounting for the first three quarters of the year in the consumption (but also production!) of electricity for the economy as a whole shows that the planned consumption was exceeded by 1.25 billion kilowatt hours. This shows very clearly that not everything in this area is as it should be. For a number of years, we have been referring to electricity consumption in households as small consumption, although there are 5 million households in the CSSR! And it is the households, where one feels the effects of a prudent, or wasteful, electricity consumption directly on one's purse, that were chiefly responsible for the increased consumption. They consumed 700 million kilowatt hours more than foreseen by the plan. No doubt, high consumption can be an indication of high living standards. But does not the households' increased consumption reflect the lag of the electronics industry and the producers of household appliances, whose television sets, washing machines, refrigerators, and so forth are far more energy-intensive than the standard prevailing in industrially advanced foreign countries?

The second largest "overshooter" of consumption is industry--so far, it has consumed 400 million kilowatt hours over and above the plan. Industrial consumers claim that the power industry officials may penalize them if they exceed the agreed-upon consumption. Yet the power industry make rare use of this economic tool. This shows the existence of hidden reserves in the entire system of supplier-user relations; sometimes, there is too much "benevolent" democracy in it which ultimately causes harm to the whole of society. The power industry officials have the right of some sort of absolution. Unfortunately, so far, they have mostly been forgiving sins without making a proper analysis that would ascertain whether the energy was spent efficiently or whether someone has a careless attitude toward his tasks.

However, we can by no means ignore the voices that can currently be heard not only in some sectors, but also in economic production units and enterprises, that, supposedly, it is useless and premature to sound the alarm. Allegedly, it is necessary to realize that our economy's total expected demand for energy will be approximately 1.4 percent below last year's consumption. From the viewpoint of the republics as a whole, we can regard this fact as acceptable. But this is not the whole story. We must also see that the greatest hunger for electricity occurred (and we were bold enough to satisfy it) in winter, the most demanding period in terms of energy. It was in winter that new plants and production lines were being tested prior to being placed in operation. Enterprises were consuming electricity without turning out corresponding production. That is why the impression of an extensive consumption growth was created.

Because of their excessive repetition or incorrect use in the past years, we regard as a platitude the statement that everyone is responsible for a sufficient amount of energy, without which hardly anything can move in a modern society. An ill-wisher might add--everyone and ... no one. This is exactly how we behave. The director of a production enterprise only sees production and the importance of his own enterprise; a steel worker only sees his own work; and a charwoman only her problems. We forget that after work everyone is no longer a producer [of goods] but becomes a consumer [of energy]. Again, this time in reverse order, we want to see to our own interests. Fuels and energy are a property of the whole society. Their acquisition is becoming increasingly complicated and costly. There is no, and should not be any, room for selfishness in this relation. However, for the time being our society more or less tolerates this state of affairs, which is made possible, above all, by the existing shortcomings in distribution and management of consumption of fuels and energy, but also by the absence of everyone's awareness of responsibility with respect to economizing. The faster we get rid of these ailments, the sooner we acquire the certainty that none of /our/ factories will be short of that selfish /my/ [words between slantlines are published in wide-spaced type] electricity. Certainly, exceptions do exist. And precisely such people, who look at the world through the attentive eyes of good managers, should become at present the general rule.

CSO: 2400/55

BAUER LETTER ON ECONOMIC POLICE MISINTERPRETED SAY ECONOMISTS

Cservek, Guban on Bauer

Budapest FIGYELO in Hungarian 27 Sep 84 p 2

[Article by Dr Emil Cservek and Pal Guban, economists at the Marxism-Leninism Chair of the Medical University of Pecs: "Policing Against Shortage?"]

[Text] We agree with the substance of Tamas Bauer's article which was published in No 33/1984 issue of FIGYELO. It is not difficult to agree with him since in the same issue of the mentioned weekly we can read an excerpt from the report of the Market Research Institute, which unequivocally shows that in the opinion of the public the supply of goods has been declining. Yet, as economic history proves, administrative measures are not the most effective tools for alleviating scarcity. We do not argue against the need of unmasking and eliminating the speculators, but we think that this goal can also be attained by improving the efficiency of the existing organizations' work. The new authority, the economic police, is expected to detect a few speculators, who are running up the prices, but we certainly cannot expect from its work an improvement in the supply of goods. We should look for the cause of the shortages in the proper circles since only economic measures are likely to eliminate them.

Yet we would not have undertaken this writing only in order to express our opinion on the topic above. We have been prompted to argue with Svetozar Milanovics' contribution to the discussion in No 37/1984 issue of FIGYELO, which reflects shocking narrow-mindedness. We cannot indeed agree with any of his observations, but in view of the lack of space we are going to comment only on his allegations concerning the items which may count as goods of basic necessity in 1984 Hungary. Milanovics suggests to the reader that: "certain automobile tires, color TV sets, modern refrigerators, automatic washing machines and certain construction materials" do certainly not belong to this category.

Let us see the case of the tires. At present there are approximately 1.2 million cars in our country, from which about one-third need new tires each year. If used tires cannot be changed, the proper utilization of this national asset, worth various billions of forints, becomes impossible. This is already something that calls our attention. In our opinion it was wrong to entrust the import of tires to Taurus, since this company considers its exports--very rightly--as a first priority and is reluctant to expend its import funds for goods which can only be domestically marketed. Yet the interests of our

national economy require not only the increase of exports but also that a balanced domestic supply of goods be provided. Our standpoint is that our national economy--including production, export and import--should serve the short and long-term fulfillment of domestic needs as a first priority.

Color TV sets may not be a basic necessity, but we cannot resign to the lasting shortage of this commodity, particularly since it happens at a time when we have two large domestic manufacturers of it. The chronic shortage of color picture-tubes makes it obviously difficult for those factories to exploit their production capacity and to meet the existing purchasing power on the market, in addition to the annoyance caused by this shortage to the consumers. The question arises: Was it worthwhile to build these two production capacities when the supply of picture-tubes was hazardous?

It is almost commonplace to say that energy saving lies in the interest of the national economy. But in order to do so we need energy saving machinery, for example refrigerators which consume little electricity, but which are almost always in short supply. Yet, strangely enough, modern refrigerators have also been eliminated from Milanovics' list of basic necessities.

A neuralgic spot of our society is the shortage of housing, and apartments belong--hopefully even according to Milanovics--to the commodities of basic necessity. If this is so, then building materials are also important. But construction enterprises may be able to say how many kinds of building materials are in short supply on the market. Not only that the prices of building materials rose well over domestic income levels, but they are not even available. Who understands this, and above all who dares to say that this is something that we have to tolerate? Shortages in this area are chronic and massive, just at a time when families need ever more to build homes with their own financial means.

Milanovics' opinion is dangerous since he too--like many others--tries to prove, whenever a shortage arises, that what is not available is also not a commodity of basic necessity, instead of searching for the real causes of scarcity and for a solution of the problem.

We would be very glad if it would be this line of thinking--such as Milanovics'--which would become a "commodity of short supply." We would happily come to terms with this.

Falubiro Views Bauer, Milanovics

Budapest FIGYELO in Hungarian 27 Sep 84 p 2

[Article by Vilmos Falubiro, economist of Budapest: "An Unwanted Advocate"]

[Text] In evaluating Tamas Bauer's article "Policing Against Scarcity" (FIGYELO, No 33/1984) Svetozar Milanovics advocates in the No 33 issue of this weekly the legitimacy of the economic police, which was not contested by the author of the first article. Yet he censors the contents of Bauer's writing as erroneous, ambiguous and even a falsification. But in my opinion it is to Milanovics that we can justly reproach lack of perspicacity and the sidetracking of problems.

First of all Milanovics plays the unwanted advocate by taking the economic police under his "protection." Bauer's remarks do not pick at all at the mentioned institution. Even less do they amount to some kind of accusation against which the reputation of this--by the way competent and necessary organization--has to be "protected." Milanovics does not realize, but perhaps he does not want to acknowledge that, what Bauer really criticizes, is the commodity shortage and the limited range of choices which are accompanying the phenomena of the suppliers' market. By now we are aware of the fact that the existence of these is not a socialist peculiarity but a usual concomitant of the "siphoning" economies, and is independent from the social system and from the poor or rich character of society.

Nevertheless the author raises the absurd accusation against Bauer that he presents the problem of shortage of goods as a main characteristic of our socialist conditions. Insofar as I am concerned, I cannot find any vestige of "historic injustice and falsification" in the article, that Milanovics charges to Bauer, no matter whether I am a benevolent or malicious judge.

The criticized article reflects only--I feel-- the author's justified concern about the resurgence of an economy of deficiency in our country.

We have to proceed, of course, severely against the inevitable revival of profiteering, bribery and unjustified price increases concomitant to this. However we have to realize that administrative measures alone do not suffice to prevent a decline in the existing level of consumption. The obvious proliferation of advance bookings of merchandises, the growing list of the "officially" unavailable goods are noteworthy warnings that also economic measures would be recommendable to redress once again the declining market conditions of the consumers.

Milanovics underrates the role that the maintenance of the level of consumer demand plays in the improvement of work efficiency. He does not attribute enough importance to the convertibility of earned incomes into material goods. Yet it is also a goal of governance to implement the responsible promises made in the sense that the amount and choice of commodities on the market will continuously expand and that recession will be prevented. For the often emphasized principle that more and better work will be better remunerated would lose its sense if incomes could not be smoothly and adequately converted into goods, services and personal property. The system of interest stimuli would also lose its effectivity if people had to wait until "society creates proper abundance in an organized way."

Finally we should not forget the sociological aspect of the problem either. For under our transitory conditions the importance of maximum thriftiness with respect to wage expenditures is well known. Therefore it is all the more important to take into consideration that a given increase in real wages counts more and a decrease is more tolerable if a proper quantity of goods and a reasonable choice of them, and a satisfactory capacity of services are available to meet the variable demands. Finally I consider Bauer's arguments as justified and timely, while those of Milanovics obsolete.

12312

CSO: 2500/20

EXPERIMENTAL AGRICULTURAL WAGE REGULATION EVALUATED

Budapest FIGYELO in Hungarian 27 Sep 84 p 2

[Article by Ferenc Bogardi, economic vice-president of the Arany-kalasz Agricultural Producing Cooperative of Mezokeresztes: "Experiences With Experimental Regulations of Income"]

[Text] The Territorial Federation of the Borsod-Abaúj-Zemplén county agricultural cooperatives has organized a workshop visit for the chief accountants of its member cooperatives into four such farms in which experimental income regulations have been applied with the permission of the Ministry of Finance, with the purpose to enable these officials to study the system of self-accounting in these enterprises.

The four agricultural producing cooperatives in question (the United Agricultural Cooperative of Tap, the Ujkalasz of Győr, the Ezüstkalasz of Baksa and the Beke Agricultural Cooperative of Madaras) have differing production and business conditions.

The four cooperatives visited agreed in their positive appraisal of the results of the first 18 months of this experiment. All four farms were able to increase their profits and to develop an efficient internal interest system.

The basis of the internal interest system is constituted by self-accounting units which have been differently formed in each individual enterprise. The form, autonomy and interest-intensity of each self-accounting unit are variable even within the same enterprise in agreement with the given operational and regional conditions.

The self-accounting units are always receiving a production and cost plan from the high-level management of the cooperative and the size of their wage-fund depends on the implementation of that plan, regardless of the number of employees and wage-levels. All this resulted in a better utilization of labor and resources.

Within each self-accounting unit the distribution of part of the wage-fund is subject to the wage regulations, while the distribution of another part and that of the year's end profit-share is decided by the workers' collective of the individual units. Thereby workshop democracy grows and becomes more meaningful, it makes improvements in the quality and results of the work done possible and

allows a more equitable (more in tune with efficiency) distribution of wages. Since thus workers have a more direct interest in the results of their work, the need of controlling them by the workshop foremen decreases and labor-disputes become less frequent. Enterprise management can devote more time to its other managerial functions and thus indirectly also the quality of leadership improves.

The definition of the self-accounting units' tasks and their calling to account postulate a well functioning information system. Such a system serves as a guarantee for the familiarity of the enterprise managers with the current issues and increases the effectivity of their work. All four cooperatives have automatic bookkeeping and individual computers, and there are economic system analysis units in all of them.

In the development of self-accounting units a few difficulties have been arising in the areas of the maintenance and auxiliary workshops. These units do not reap profits directly and the quality and value of their services and production materialize only later at their customers' end. In their cases a reduction of the costs can also be accomplished by cancelling certain repair and maintenance operations, but this may hurt the farm as a whole. In order to measure work performance in these units more objectively, measurement should be made in closer contact with the branches which realize the results. Yet this would require a new branch-organising practice and a development of the book-keeping system. In this area only the Ezustkalasz cooperative of Baksa developed such self-accounting units in which the performance and the result of the work can be measured. But accounting for these is provided by a separate book-keeping system.

It is further a moot point how the long-term interest of the self-accounting units will be secured. They receive the plan concerning the production targets, which constitute their stake, from the high-level management of the cooperative in the beginning of each year, although the agricultural production processes do not terminate at the year's end. The production media are also remaining in use for various years as a rule.

One year of success in the self-accounting units' work does not necessarily warrant an improvement in the conditions of farming, since the sources of development do generally not get back to where they had originated. Yet it is most likely that the self-accounting unit will receive, in accordance with its results, a more demanding program of targets for the following year. The scope of the performance targets of the self-accounting units is essentially determined by the wisdom and realistic judgment of the high-level management.

The new form of regulations may be positively evaluated in the farms we have visited. It has made possible the establishment of self-accounting units, which are interested in increasing profits. It required and thereby prompted the development of an information system, and increased the importance of organizational and creative managerial positions. The experiment also proved that there is a realistic possibility for us to change the stiff regulations which curbed improvement in productivity, and that there has also been a demand for this on the part of the enterprises.

COMMENTARY ON 1985 PLAN BY ECONOMIC ADVISORY COUNCIL

Warsaw ZYCIE GOSPODARCZE in Polish No 39, 23 Sep 84 pp 1, 4

[White paper by the Economic Advisory Council]

[Text] This white paper of the Economic Advisory Council [KRG] is in the nature of preliminary remarks. We intend to take up the matter again upon learning relevant financial documents (such as the draft budget, balance of the population's money incomes and expenditures, etc.) and Price Board proposals. In the absence of these documents, the proposed draft plan ["Zalozenia"] is traditionally confined to physical processes. It is based on a tacit assumption that a solution to financial and pricing problems, consistent with the draft CAP goals, will somehow be found. In the present form, the proposed draft focuses on matters of central balances, whereas the goal of removing disequilibrium also hinges on progress in the field of efficiency.

The next version of our comments will be made in respect to the final draft of the CAP rather than the now-consulted preliminary document. Till that time we are going to refrain from remarks on the correctness of this or that numerical projection, since the relevant values will no doubt change with the passage of time and in the course of consultations.

As approved in a resolution of the plenary meeting of the Economic Advisory Council, this text is based on the council's Presidium's report which at the end of last August was sent to the Planning Commission and the Government Presidium, and in which no major changes were made.

In the proposed draft Central Annual Plan (CAP) for 1985, measures aimed at restoring equilibrium and curbing price movements are placed in the forefront of next year's goals. This direction concurs with the position taken many times by the KRG. As we see it, the commodity/monetary disequilibrium

is a particularly grave disease, affecting a string of economic problems (by weakening the effects of economic reform, disturbing the distribution of national income, providing a breeding ground for profiteering and dishonesty, hampering the creation of a proper motivational system, etc.). The consulted document rightly supports the variant of utilizing national income growth for the purpose of strengthening equilibrium, while not increasing the population's nominal incomes, curbing investment spending only slightly, and providing for the possibility of under-9 percent price increase in 1985.

We consider the intended maneuver not only correct and necessary, but also feasible--provided that some conditions are met, which will be discussed later in this paper and which initially can be formulated as the subordination to the goal of equilibrium of the manner in which problems of wages, prices, finances, investments, and to some extent foreign trade are being resolved.

Naturally, the year 1985 may bear witness to only a first major step on the road to equilibrium, but what is needed is that the rising tendencies be reversed. Despite some reduction of the size of inflationary gap and of the real burden of inflationary overhang, we do not think that a simple continuation of measures started back in 1982 would suffice to solve the problem in the near future.

The inflationary spiral, while stemming from physical processes and financial policies, is also fueled by social developments of subjective nature. The price movement, supposed to offset the wage movement, has the effect of reinforcing pressures for higher incomes, and the wage movement in the production sector leads to compensatory increases in farm-procurement prices, pensions, and salaries in the nonproduction sector. This in turn forces higher-than-planned price increases, with all their secondary consequences. But it seems that the public consciousness is mature enough to warrant an attempt at breaking, or rather just weakening, the said process. Society is simply so much exhausted by the ailments which accompany inflation that it can, hopefully, accept a different, more effective policy of hampering inflationary processes.

The major condition for the effectiveness of such a policy must be the reduction of wage dynamics to an extent corresponding to the desired pattern of the planned balance of the population's incomes and expenditures. Progress in restoring equilibrium and curbing price increases will only be possible when the spread between the dynamics of nominal incomes and of physical supply of goods and services is narrowing. The restoration of equilibrium will also largely depend on efforts aimed at reducing the material-input costs and improving the efficiency of investment processes now underway, which will influence supply growth opportunities. It is on these three issues--wage trimming, cost reduction, and efficiency of investment projects--that our attention should be focused, all the more so as measures taken in these fields so far have encountered big obstacles and have been largely ineffective.

Wages and the FAZ Problem

The so-called tight financing, which reduces enterprise liquidity, may act in favor of reducing higher-than-planned wage increases. But direct measures affecting the amount of profit-financed payments and the wage system will be unavoidable. If pushed too far, the tight financing may result in a drastic reduction of the share of investments in development-fund spending. Given the fact that the broadest possible satisfaction of workforce demands is among the leading motives behind enterprise behavior, many directors, when faced with excessive curbs on enterprise liquidity, may opt for the abandonment of even the most urgent investment projects if only this will result in higher deductions from profit [for consumption purposes]. But irrespective of this extreme possibility, we find too far-reaching curbs on enterprise investments incorrect--although if a serious, widescale effort were made for the restoration of equilibrium we would approve a weakening, for even a year, of the replacement and modernization process which mainly takes the form of enterprise projects (Cf. the subheading "Investment").

The existing system of FAZ taxation has failed to live up to expectations. This is because the FAZ-free threshold of [wage] growth has been set too high, because the level of the threshold has been linked to production dynamics [irrespective of efficiency], because areas where production growth does not depend on productivity increases have been granted high thresholds, and finally because FAZ concessions have been applied on a wide scale.

Last June, the council's Secretariat drafted a new system of FAZ rules. One of its major elements was the separation of FAZ from the yardstick of production. We worked on the assumption that a rational growth in production results in higher profit which should provide a sufficient stimuli to higher output. The excess of stimuli may, or rather must, lead to involvement in inefficient production which is remunerated at too high rates, and may breed manipulations. As for the FAZ concessions, their very existence distracts enterprise attention from efforts aimed at rationalization of wage spending.

Our June proposal, submitted to the most interested members of the government, was reflected to some extent in the appendix to the proposed draft CAP ("Principles and Instruments of Controlling the Operations of Economic Units in 1985") in the provision concerning the widening of such a FAZ system which would be uncoupled from [production] yardsticks. This might be approved if only the "widening" were on a scale close to nearly complete abandonment of the yardsticks.

In practice so far, the FAZ-free thresholds were set initially for a whole year and then supplemented with concessions. Experience shows that the insufficiently hampered wage growth has resulted in higher than expected price increases which, in turn, have set the scene for new pay demands. The 1985 arrangements should be different. A low threshold of FAZ-free [wage] payments should be set for the first half of the year, to be accompanied by the announcement that the second-half threshold will be raised if the actual wage and price growth-rates comply with the plan targets. We also

proposed the elimination of all kinds of concessions, with the exception of export relief and a new concession for enterprises introducing new motivational wage systems (it would be granted if the enterprise concerned did not draw on other sources for covering increased expenditures on wages).

But we believe that the FAZ-free threshold should not be uniform. Rather, it should favor the leveling of wage levels among enterprises, if only on a small scale. This could be achieved by means of differentiating the threshold levels in relation to the disproportions between the average wage in a given enterprise and the average wage in the whole sector.

Irrespective of changes in the design of the FAZ system, there is a need for the tightening of its parameters.

Other Sources of Population Incomes

It can be expected that the problem of farm procurement prices will again have to be tackled at the middle of next year. This council has long been critical of both the principle of full compensation in farm prices for increase in producer goods prices, and of a tendency toward mechanical application of the general principle of getting rural and urban incomes closer together. In the field of social benefits, we do not approve of the concept--discussed by some experts, although not espoused in the draft CAP--of offsetting price rises through cost-of-living supplements which are always hard to calculate and which require that a so-called threshold (which is always unjust) be set.

A new element of the population's incomes next year will be the redemption of so-called savings-revaluation bonds. The sums involved will be very substantial, and if they take the form of cash flooding the market no improvement will be possible in the field of commodity/monetary equilibrium.

The major instrument of encouraging bond holders to keep them should take the form of the maintenance of their high interest rate. However, it is not possible to judge in advance what percentage of the bonds would still be kept as a result of this stimulus and what percentage would be cashed. There are some indications of a tendency, seen for some time now, toward the reduction of saving deposits by the least affluent part of the population. It thus seems purposeful that the National Bank of Poland (NBP), while sticking to the principle of honoring its obligations, should resort to technical arrangements spreading the bonds' redemption over the whole year. For example, it might be arranged that bonds with the lowest face value are cashed in the first quarter-year, those with higher values in the second and third quarters, and Zl 10,000 bonds in the fourth quarter.

Naturally, the propensity to keep the bonds would be strengthened substantially if this council's oft-repeated proposals were heeded, to the effect that interest on call demands be lowered and interest relief for some consumer credits be eliminated.

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Commission's claim that the 9 per-
centile. We treat this figure

leaves open the problem of
The clues provided in the
dependent of these clues. The
has remained unchanged for
often presented. Taking into
intentions, it can be formulated

and exchange rate we consider it
gradually, so as to prevent
substantially the finan-
induce a cascade of consumer-

subsidies reduction, where too
items, should also be avoided;

field of production-supply price
taking into account only the
of the enterprise, has brought about--next to
benefit--some major disturbances. Only a portion of enterprises
could offset the wage growth with the reduction of costs or profit rate,
and the 10 percent on price increases not always turned out suffi-
cient. As a result, the economic situation of enterprises got diversified
still more, and not infrequently a new factor has emerged, shaping
product-as polluted and thereby in compliance with the goal of market
equilibrium.

For various reasons, and considering the position of questioned enterprises,
we are glad to see that the Planning Commission seems to opt for the second,
alternative form of limiting price increases, as permitted under the exist-
ing rules, among the 100 permitted collective ceilings for price rises.

knowledge of the global amount of popula-
What is needed is the assessment
comes of individual groups of the
budgets reveals quite sub-
with "negative savings"
have been mitigated by last
has by no means dis-

Another criterion is that of the avoidance of having pay demands aggravated as a result of incorrect commodity structure of price rises. For more than 2 years, the KRG has been repeatedly saying that, in this respect, a short list of high raises is better than a long list of small ones. And the worse situation is when the two approaches are mixed, since the population--not caring for global accounts--gets an impression of a general movement in prices.

Working on these assumptions, it is possible to formulate several detailed remarks already now:

--Food price increases should be confined almost exclusively to areas where they can be accompanied by the abandonment of rationing (we believe this is in principle possible in respect to butter, margarin, flour and cereals); the exception is provided by the highest-quality meat products; it should be remembered that the effects of food price rises are extremely low when compensation in cash is provided for some groups of the population;

--As regards the industrially made articles, the problem of key importance is the broad introduction of price rises for articles meeting higher-order requirements, especially for consumer durables; last year, some Zl 20 billion worth of price rises were announced, against the proposed Zl 80 billion; a glaring example of timidity in this field is provided by deep-freezers, the market for which remained unbalanced despite a steep increase in imports from the USSR; in respect to higher-order articles which were not covered by increased sales tax rates, contractual prices should be applied.

We are going to take up the price problem in greater detail--e.g., while discussing relevant documents of the Price Board (if, as we hope, the documents are sent to us for consultation).

In conclusion of this chapter, we would like to point to one more problem concerning the commodity/monetary equilibrium.

While it is true that we have lived through the period of entirely depleted stores, the shortages in some product groups are still numerous, and the continuity of consumer-market supply still leaves much to be desired (even in areas where equilibrium is at hand). At the same time, as a result of general improvement in the fields of incomes and consumer-market supplies, consumer aspirations are on the rise. Naturally, not all of them can be met. But with a coordinated policy of prices and rationing, and with some modifications of import policy, tangible problem seems possible in the accessibility of consumer goods. We will turn back to the problem of import policy later, while here we confine ourselves to ascertaining two facts:

--For many years to come we are doomed to foreign-currency rationing, and it is well known that under rationing small items lose ground to big ones; in the field of production supplies, this is mitigated by the existence of export-revenue accounts (ROD's) and, to a small extent, hard-currency auctions; no similar devices exist in the field of consumer goods, where--in view of the rigidity and randomness of Pewex operations [the sale of

foreign, and domestic, items to Polish residents for hard currencies]--the function of correcting the import pattern is shifted to smugglers and to private "suitcase importers";

--The rare, and often mistaken, decisions on above-plan imports are based exclusively on physical balances of consumer-market supplies, while totally ignoring the problem of commodity/monetary equilibrium; it is thus very urgent that some operating rules be provided next year, that some amount of hard currencies be set aside for imports with high zloty-to-dollar ratio, and that some amount be earmarked--if possible--for emergency imports. One reason for this is that improved access to consumer goods and enrichment of consumer-market supply serve as a sort of a substitute for major increase in population incomes.

Investment

In the present situation, the impact of investment projects on economic disequilibrium stems not so much from their share in national income--which is not too high--but rather from their pattern, marked as it is by a high share of projects started in the 1970's and not yet finished. Their completion requires huge spending and long time--all this with dubious effects (both in relation to the amount of capital still needed for completion and in relation to the present and future requirements of the economy). As a result, the existing investment program features high level of tied-up capital, with the costs of material resources and wages not offset by physical effects. It also results in a relative shortage of investment resources, which in many branches of industry manifests itself in disinvestment, and which in the economy as a whole narrows the room for restructuring, thus hampering the adjustment of production to the existing and future requirements. And finally, it also reinforces the lack of equilibrium between the demand for and the supply of construction services, adding to the protractedness of investment projects and to their costs.

The attempts at changing the structure of investment spending, of which several were taken so far, did not produce the expected effects. Yet another attempted in this direction is signalled in the proposed draft CAP for 1985. This reflected in the intention to cut the spending on construction services by Zl 100 billion, compared to the now expected this year's figure, and in the maintenance of investment imports at a level only slightly higher (by Zl 5 billion) than the expected 1984 figure. But in the light of past experience, justified doubts arise as to whether the so-designed investment plan will make it possible to minimize the investment-spending overrun (compared to the 3-year plan targets) and to raise the efficiency of the entire investment process.

The influencing of investment-spending division between construction/assembly operations and purchase of equipment is, of course, of great importance for an improvement in the structure of investments. But in the present conditions, it is equally, if not more, important that an improvement in the efficiency of the investment program be influenced, especially as regards the shortening of capital-return periods and changing the structure of

production (supply) in the desired direction. This goal would be hard to attain with the existing division of investment projects into those managed by the central authorities, local authorities, and enterprises. The basic fault of this classification--which provides the basis for planning, for analyses of plan implementation, and for the selection of instruments influencing the extent and structure of investments--is that the notion of "enterprise investment projects" is not uniform. As is known, this group also includes old-time central projects (later reclassified as enterprise undertakings, and partly financed with budgetary subsidies) and projects financed from centralized funds of individual sectors, and even subsectors. They differ from enterprise projects *sensu stricto*--not only in the sources of finance but also in higher spending and longer return periods. In this situation, it is very important that the classification of investment projects be changed in order to ensure that the group of "enterprise projects" includes only these projects, which as shown by an NBP analysis feature as a rule the shortest period of the return of capital.

This is an important conclusion, although naturally only of a general nature. As for detailed conclusions concerning the transformation of the investment project inherited from the past, we are not yet prepared to formulate them (just as the state bodies concerned) in view of the absence of sufficiently credible and comprehensive information. There are indications that this kind of information will become available. The first step came with the separation by the National Bank of Poland of projects with the cost-estimate value in excess of Zl 500 billion from the list of enterprise projects, and with the further work in deepening the information about these projects. Another indication is the announcement to the effect that the Central Statistical Office (GUS) will present detailed data on projects with cost-estimate value of Zl 100 billion and more--as a part of the now introduced new system of investment reporting Rewin.

On the basis of this kind of information, it seems that a review of central investment projects (and those in the group of enterprise projects which depend on central decisions) with the cost-estimate value in excess of Zl 100 billion would be feasible still this year. It would be expected to produce an administrative decision on abandoning, halting, or spreading in time the construction of projects with high capital-to-output ratio and long periods of return--in order to additionally cut investment spending in 1985 by further Zl 50-100 billion.

Considering the fact that investment-trimming instruments operate with low accuracy, it may turn out that this reduction will simply represent a more realistic approach to Planning Commission targets. But, perhaps, it might increase the extent of quick-return projects. The present pattern of "heavy" and "light" projects will lead to increased level of tied-up capital in the years ahead, and the future decisions will by no means be easier than the present ones.

This proposal of course concerns the emergency measures. Yet in the future National Socioeconomic Plan for 1986-1990, the problem should be tackled in a more comprehensive manner.

Foreign Trade

The impact of trade exchanges with abroad upon internal equilibrium is determined primarily by the balance of trade with the two payments zones. According to the proposed draft CAP, the deficit in trade with payments zone I [settlements in nonconvertible currencies] will reach Zl 47 million--that is less than the planned deficit for this year (minus Zl 61 billion), but more than the now expected actual 1984 figure (minus Zl 32 billion). The trade surplus with capitalist countries is to reach Zl 186 billion, or near the level expected this year. With the invisible balance staying in 1985 at this year's level, it can be assumed that the servicing of our net debt to payment zone II countries (adjusted for the balance of credits received and granted) will remain at the 1984 level.

This assumption is very important from the angle of measures aimed at restoring internal equilibrium not only because an increased national income produced makes it possible to raise accordingly the national income for distribution. It is also very important because with the growing burden of hard-currency debt servicing (since 1982), the protection of industrial-supplies imports was possible only at the expense of major cuts in the imports of capital equipment and agricultural supplies. Because of the need to increase the latter in 1984, chances for higher industrial-supplies imports from hard-currency markets (or even for their maintenance at the existing level) are put in danger. For this reason we assume that in the draft balance of payments (which is not known to us) the servicing of net debt to payments zone II countries will also remain at this year's level.

It would also be very important for equilibrium-restoring measures if this goal were given much greater attention in the course of planning the structure of trade exchanges with abroad and in the course of implementing the relevant plans. The following problems can be mentioned in this context:

1. In the course of negotiation on annual trade protocols with payments zone I countries, and also in the framework of so-called broad exchange with those countries, the requirements of consumer market should be met to a greater degree than before.

2. The plan of imports from payments zone II countries should provide for:

--Goods permitting the abandonment of rationing (e.g., emergency butter purchases, of not so great burden for the balance of payments, to be coupled with the discontinuation of butter exports, in view of its poor profitability, and imports of margarine components, all of which would make it possible to jettison the rationing of fats and oils);

--Goods enriching the market supply and at the same time balancing the demand with the supply (e.g., coffee for which the CAP 1985 target is only slightly higher than the actual figure for the first half of this year; or a broad range of cotton items from developing countries); and raw materials and components for the domestic production of such goods (e.g., high-grade wool);

--Hard-currency funds, to be earmarked in the plan for imports of goods with zloty-to-dollar ratio higher than the black market rate of exchange.

3. If foreign trade is to be used more widely for the purpose of restoring internal equilibrium, it is imperative that shifts made in the plan in the course of the year (higher export of some goods in order to increase imports of other ones) be based not only on foreign-currency results of such operations, but also on their results in zlotys--since it may appear that with a balanced foreign-currency effect such operations show negative result in zlotys, thus adversely affecting internal equilibrium (by boosting the sum of subsidies). This remark is particularly true of food and farm produce.

Warsaw, September 1984

CSO: 2600/98

ECONOMIST DISPUTES BLESSINGS OF TRADE SURPLUS

Warsaw POLITYKA EXPORT IMPORT in Polish No 9, Sep 84 p 17

[Article by Professor Leszek Cienkowski, staff member, Economic Research Institute, Polish Academy of Sciences: "The Trade Surplus Fetish"]

[Text] The conclusion of the debt restructuring agreement with capitalist bankers and a certain improvement of the economic situation have removed from the center of attention the problem of external determinants of Poland's economic development. But in reality the situation in this domain remains critical and this should not be forgotten while examining all the aspects of Poland's future.

In this context, I wish to challenge the view that the surplus of exports over imports is the principal or one of the main factors slowing down the pace of production growth and of economic recovery. In my opinion, the basic reason why it is not possible to attain a faster production growth is the shortage of imported production supplies.

At first glance, there does not appear to be much difference between two statements, especially if it is assumed that a corresponding growth of import of production supplies could occur instead of the surplus of exports over imports, destined for financing debt servicing. However, in reality, depending on the adoption of one version or the other, different conclusions would be drawn for economic policies.

It is wrong to stop at looking at the balance of trade and the way it is changing. It is also necessary to take into account the level of turnover and the processes which led to the emergence of the considerable surplus of exports over imports. In 1982, the surplus was the result of a drop in both exports and imports, while in 1983 it was caused by the growth of both exports and imports, with the former rising faster. Nevertheless, at present the level of import is below that from the pre-crisis period and insufficient for the correct functioning of the economy.

If it is assumed that the basic factor limiting production growth is the surplus of trade rather than the dearth of imported production supplies, it could be argued that the lowering of the level of exports to the current level of imports (combined, for example, with a suspension of debt servicing

or the servicing of the debt only through additional credits) could result in a significant growth of production through channeling to the domestic market a part of the end products that are currently exported. I am confident, however, that such an operation would not produce major results.

The present structure of the economy and the specific technological and economic dependencies formed largely in the 1970's, makes the Polish economy dependent on imports irrespective of the level of production. Even at a relatively lower production level of 1978, its growth would not be possible without an increase in imports of supplies from capitalist countries, which we are not able to replace now with domestic materials or ones imported from socialist countries. (The restructuring of the economy, which would become inevitable in the event of a lasting insufficient level of imports from the capitalist countries would inevitably take time.)

At the same time, when production capacities are not harmonized and bottlenecks occur, the potential exists for making a highly effective use of imports of production supplies leading to a big growth of output. It is, however, indispensable to increase the level of imports in a significant way. A small growth in imports of production supplies and strong periodic variations in imports cannot produce satisfactory results, as could be seen in the last 2 years.

The performance of the manufacturing industry in individual months, adjusted for the difference in the number of working hours in a given month, reveals a distinct--if hard to measure--dependence between the level of imports of production supplies and the level of production. At the same time the unsteady pace and variations in the level of imports lead, in all probability, to a lower efficiency of using these supplies. Next to the demand for production supplies, there is the unquestionable need of increasing imports destined for industrial retooling projects without which--it must be said openly--there is no chance of keeping product quality at a level approaching the world standards and reaching an indispensable level of exports in the future.

The surplus of exports over imports is, in my opinion, a good thing and indicates a certain export potential of the economy, if rather limited for the time being, as well as the "eagerness to service the debt." I am aware that there are limits that must not be surpassed but this is a matter for the future. At present, unless we settle the problem of payment of interest and capital, we cannot negotiate new credits with the creditors, whereas if we announced insolvency, the long-term effects would by far outweigh the short-term relief we might get in these circumstances.

The crucial problem is to conclude a long-term agreement with our creditors, which should envisage--in the interest of both sides--an annual growth of the volume of imports, exceeding for a certain period of time the present level of the surplus of exports (let me add that the growth of the surplus from 1982 to 1983 was much smaller than the change from 1981 to 1982). At the same time, both sides should agree on the scope and mode of debt servicing and on moves aimed at opening the export markets to Polish goods.

Simultaneously, it is necessary to formulate a realistic program of efficient utilization of the means obtained from abroad. It can be trusted that the economy will then be able to afford a permanent growth of production while maintaining the surplus of exports over imports.

Unless there is such an agreement and new "external support" it is difficult to hope for a major growth of the rate of economic development and modernization of products, which would make it possible to make Poland's exportable goods more attractive. Continued repayments without such an agreement, combined with a simultaneous search for new credits for this purpose, can effectively only lead to a further growth of the indebtedness without guaranteeing a realistic possibility of its repayment in the future--this possibility depends first and foremost on ensuring faster economic growth.

CSO: 2600/97

SLACKENING PACE OF ECONOMIC GROWTH IN 1984 DETAILED

Warsaw ZYCIE GOSPODARCZE in Polish No 39, 23 Sep 84 pp 14, 15

[Article by Marek Misiak: "National Economic Performance in January-August 1984: Slower Pace"]

[Text] The August-on-August growth in socialized industry's production was only 3 percent (in both real and comparable time). Compared to last July, there was a 1.3 percent increase in real time and a 2 percent drop in comparable time. The growth rate of production (compared to the same period of the previous year) was thus lower than in the preceding months. In the first 8 months of the year, production rose 5.7 percent on the corresponding 1983 figure (4.8 percent in comparable time). There are not enough data to guess at present whether, and to what degree, the August slowdown in industrial production (and in some other sectors) was a passing phenomenon. Mentioned in this connection is the relatively high intensity of holidaying in August 1984 compared to August 1983 (better weather in August than in July). It would be also difficult to assess the impact made on industrial production by delayed harvests since this influence could be exerted in a variety of ways.

Industry

Despite the slowed dynamics in August, the growth in industrial production is still much higher than the Central Annual Plan (CAP) target of 4.2 percent real-time increase [for the whole year]. Even if the pace of industrial production (in real time) continues in September-December at the August rate, the CAP target for the overall value of industrial production will be over-fulfilled.

Data on the financial performance of socialized industry in the first 7 months of 1984 (they are published with a monthly delay compared to sold production statistics) seem to indicate a slight improvement in the efficiency of this principal sector of the sphere of material production. Enterprise costs represented the equivalent of 84.1 percent of the value of sales, against 84.3 percent in the same period of last year. The gross profitability (or the ratio of financial accumulation to enterprise costs of [production and sale]) stood after the 7 months at 18.9 percent (against 18.5 percent last year), net profitability (ratio of the financial result, or the balance of

profit and losses, to the cost of production and sale) stood at 13.1 percent (against 13 percent last year), and sales efficiency (financial accumulation per Zl 1,000 worth of sales) at Zl 159, against Zl 156 last year. The level of costs dropped in the following industries: precision engineering, metal-working, machinery, and nonferrous metals.

On the other hand, the share of costs in the sales value increased in: coal (from 116.7 percent to 120.5 percent), construction materials (from 85.9 percent to 87.9 percent), and food processing (from 80.4 percent to 81.2 percent). Subsidies to these branches of socialized industry increased, especially in the case of coal and milk.

Construction and Investment

The base production of socialized construction/assembly enterprises at constant prices increased 4.4 percent August-on-August (at constant prices). The August-on-July figures were 1.0 percent growth in real time and 3.2 percent drop in comparable time. In January-August, base production rose 7.8 percent (and 6.7 percent in comparable working time) on the same period of last year. Progress in meeting the CAP target for construction/assembly production reached 69.4 percent after the 8 months, and was 2.1 percent above the index for the passage of [annual] working time.

The share of enterprise costs in the sales value stood in construction at 84.8 percent after the 7 months--including 88.7 percent in general construction enterprises, 83.4 percent in production/service enterprises, and 84.2 percent in specialist enterprises. Compared to the same period of last year, the value of sales in construction rose 46.7 percent, while enterprise costs went up 46.1 percent.

Investment spending in the socialized sector of the economy in January-July 1984 ran at Zl 638.4 billion (at current prices), of which construction/assembly enterprises accounted for Zl 414.8 billion, and purchase of equipment Zl 194.6 billion. Compared to the same period of 1983, investment spending at constant prices rose 12.8 percent (construction/assembly operations at 9.1 percent).

Investment building projects handed over for use in the state economy in January-July 1984 had the combined cost-estimate value of Zl 135 billion (at current prices of each of the years of construction), which represented 70.3 percent of projects planned for completion in that period (at cost-estimate value) and 21.8 percent of projects planned for completion in the whole of 1984. In the discussed period of 7 months, new investment projects with the combined cost-estimate value of Zl 256.3 billion were started.

In socialized housing construction, 7,500 new dwellings were handed over for use in August 1984, representing a 1,400 drop from August 1983. The figure for January-August 1984 was 71,100 new dwellings, or 2.2 percent less than in the same period of last year--with a simultaneous 2.8 percent increase in the area of new dwellings. Progress in meeting the CAP target stood after 8 months at 54.7 percent. The share of municipal and factory housing

increased. The number of dwellings under construction reached 168,300 at the end of August 1984, up 4.1 percent on August 1983.

Agriculture

August, especially in its last 10 days, proved to be conducive to grain, rapeseed and hay harvests.

Free-market grain prices dropped 5 percent August-on-July and rose 12 percent August-on-August. A drop in prices, compared to the same period of last year, was seen for early edible potatoes. Some drop was also recorded (compared to previous months) in piglet prices (from Zl 4,200 in April, to Zl 4,100 in June and Zl 3,900 in August). The number of covered sows rose 14.9 percent August-on-August.

But the low numbers in the basic herd limit the opportunities for rebuilding the hog population. Against this background, it may happen that the farmers' own feed resources are underutilized.

From the beginning of the season to 5 September 1984, the total of 4 million tons of food grain was purchased by procurement agencies, representing an 0.1 percent increase on the corresponding figure for the last year (despite a greatly delayed beginning of this year's harvests). Rapeseed procurement in the same period amounted to 944,000 tons, or 75 percent more than in 1983.

Meat-livestock procurement dropped in comparison to the last year--by 5.2 percent in August and by 3.2 percent in January-August. Procurement of beef cattle and poultry was higher in the 8 months (compared to January-August 1983), but hog procurement was down. The number of meat/fat hogs contracted for the delivery to procurement agencies in September-November was down, too--by average 32 percent compared to last year.

Poultry procurement picked up--rising by 55.9 percent in August and by 105.2 percent in January-August, against the same periods of 1983--but it was still at half the level of January-August 1979.

Milk procurement rose 6.4 percent in August and 8.4 percent in January-August, and the respective figures for egg procurement were down 18.2 percent and up 1.0 percent.

Transport

Cargo carried by rail increased 4.1 percent in August and 3.3 percent in January-August, while cargo carried by PKS [road haulage] company dropped, respectively, 6.5 percent and 0.6 percent.

The efficiency of transport enterprises, especially in the rail segment, is still low. Financial data for the 7 months show a 27.3 percent increase in enterprise costs, against the same period of last year. It is true that the sales value rose still more--by 33.8 percent, which reduced the costs-to-sales ratio from 106.9 percent to 101.7 percent--but transport remains a

sector with costs exceeding the value of sales. The biggest spread was recorded--despite some improvement--in the rail segment, where the costs-to-sales ratio stood at 128.7 percent, against 133.6 percent in the same period of 1983.

Foreign Trade

Trends in foreign trade dynamics were slightly different than in the previous months of 1984.

In trade with payments zone I [settlements in nonconvertible currencies], the current-prices figures for the 8 months of 1984, compared to the same period of 1983, were as follows: [exports] rose 14.9 percent in zlotys and 10 percent in transferrable rubles; imports went up 18.6 percent in zlotys and 13.5 percent in rubles; trade deficit grew in August by Zl 7 billion to reach Zl 30.4 billion (TR 428 million) for the 8 months. At 99, the terms-of-trade index was still unfavorable, coming as a result of a 5.1 percent increase in ruble prices in exports and a 6.1 percent growth in imports.

In trade with payments zone II [settlements in convertible currencies] exports rose 25.5 percent at current prices in zlotys and 3.4 percent in U.S. dollars, imports increased by 25.6 percent at current prices in zlotys and 3.5 percent in dollars. The trade surplus with payments zone II increased in August by further Zl 7.9 billion, reaching Zl 107.4 billion (\$995 million) for the 8 months. The terms of trade index were still unfavorable (98.1), reflecting a steeper drop in export prices (by 8.4 percent) compared to import prices (by 6.7 percent).

It may be noted that the still bad terms-of-trade indices were after 8 months less unfavorable than in the previous months, when they ran at 95 to 98. The weakening of unfavorable pricing developments in trade with payments zone II can be also concluded from ZYCIE GOSPODARCZE indicators which show that according to 3 September quotations (see ZYCIE GOSPODARCZE 38/1984) the ratio of the raw-material price index in [Polish] exports to the price index in imports reached 98.7 percent, against 95 percent a month ago (according to 7 August quotations, see ZYCIE GOSPODARCZE 34/1984).

Employment

Average employment in the four basic sectors of the socialized economy--industry, construction, transport/communications, and trade--dropped in August 1984 by 19,400 persons compared to August 1983 and by 20,200 persons from last July.

Average employment in socialized industry stood at 4,373,400 persons in August (down 0.6 percent from August 1983) and 4,404,500 persons in January-August (down 0.5 percent, or 21,400 persons, from the same period of last year). This year's plan calls for its reduction to 4,410,000 persons (from 4,445,000 in 1983). The 8-month figure, and especially the August one, shows that industrial employment may actually be lower than provided for in the physical plan.

The reverse was of
in August and by . . .
plan provides for its . . .

Eight-month employment slightly dropped by 115,000 . . .
and rose in communications (by 2,500 . . .)

Enterprises were still much in need of . . .
notified to labor exchanges rose August-1983
345,400 at the end of last month. At . . .
jobs through the intermediary of labor . . .
job seekers was thus statistically . . .

Consumer Market

The monetary/consumer-market situation . . .
in the dynamics of the population's . . .
they rose 18.8 percent, while the . . .
19.3 percent. But despite the similar . . .
above the CAP target of 13.8 percent . . .
initially expected 1983 performance . . .
figure).

The greatest differences were in the . . .
Zl 1,668.1 billion in January-August . . .
same period of last year. The August-1983 . . .

Increases of average monthly wage . . .
Zl 3,064 (20.6 percent) in industry . . .
Zl 2,365 (17.9 percent) in trans- . . .
tions, and Al 1,982 (17.7 percent) in . . .

Average monthly wage in the dis- . . .
together with payments from profit . . .
Zl 16,844 in August, rising by 16.1 . . .
percent, if payments from profit . . .
The respective figures for the . . .
20.8 percent (20.0 percent).

The population's money expenditures . . .
percent in January-August (compared to . . .
Despite the slowdown, the August . . .
the whole year.

Retail sale of goods by socialized . . .
in August, representing an increase . . .
current retail prices) on the . . .
billion in food sales (increase by 21.0 percent . . . billion
in alcoholic drinks (increase in . . .
food articles (increase by 18.2 percent).

In January-August, the value of retail sales reached Zl 2,635 billion, or 22 percent more than in the same period of last year (at current retail prices). Foodstuffs accounted for Zl 373.3 billion (33.2 percent of the total), alcoholic drinks for Zl 356.6 billion (13.5 percent), and nonfood articles for 1,405.1 billion (53.3 percent). Compared to the same period of 1983, the value of 8-month sales (at current retail prices) rose 24.4 percent for nonfood articles, 22 percent for food, and 13.5 percent for alcoholic drinks. After adjusting for the estimated impact of price growth, the January-August retail sales topped the corresponding last year's period by 9 percent (by 5 percent for foodstuffs, 6 percent for alcoholic drinks, and 12 percent for nonfood articles).

With the current-price increase in consumer goods supply by 22.4 percent in January-July (data for August were not available at writing), the trade inventories were increasing at a slow and spotty pace. At the end of July they reached Zl 587 billion, or 17.9 percent more than at the end of last year. According to preliminary data, no increase was recorded in August. The combating of market disequilibrium is thus proceeding at a very slow pace. The August shortages included cheaper brands of tea, some other imported foodstuffs, and--in the nonfood market--many light industry products (especially underwear and bed linen) and durables, such as furniture and household appliances.

The population's money reserves increased by Zl 42.2 billion in August, and by Zl 156.2 billion between January and August, which compared with the CAP target of Zl 250 billion growth for the whole year. With the accelerated increase in these reserves in the past 2 months, it can be expected that their annual increase will be close to, or even slightly higher than, the plan target.

Table 1

Specification	1983		1984							
	The same period of 1982 = 100		Absolute figures				The same period of 1983 = 100			
	Aug 2	Jan-Aug 3	Jun 4	Jul 5	Aug 6	Jan-Aug 7	Jun 8	Jul 9	Aug 10	Jan-Aug 11
Industry										
Sold production of socialized industry (at 1982 producer prices), in billion zlotys	110.4	108.5	634.5	596.6	617.4	5,066.2	103.3	111.7	103.0	105.7
Average employment in socialized industry, in thousand persons	99.1	99.0	4,372.4	4,389.8	4,373.4	4,404.5	99.5	99.5	99.4	99.5
Sold production per employee of socialized industry, in thousand zlotys	111.9	110.2	145.1	135.9	141.2	1,150.2	103.8	112.3	103.6	106.2
Average monthly wage in socialized industry, in Zl ¹	128.7	132.8	17,505	17,912	17,822	17,934	114.6	119.7	116.5	120.0
Production in selected commodities:										
-coal, in million tons	105.2	100.5	15.7	16.1	16.7	129.0	100.1	105.3	100.5	101.4
-electricity, in million kWh	109.3	106.0	9.7	9.7	9.8	87.6	107.3	109.9	107.4	109.3
-crude steel, in thousand tons	104.3	111.8	1,328.8	1,407.0	1,380.8	11,118.9	103.2	105.4	104.6	103.1
-farm tractors, in thousand pcs	109.0	104.1	4.7	4.1	4.6	38.3	102.1	115.2	112.6	105.4
-passenger cars, in thousand pcs	94.8	131.1	23.5	21.4	14.3	176.6	102.7	155.0	85.7	101.2

1	2	3	4	5	6	7	8	9	10	11
-household washing machines and electric spin-driers, in thousand pcs	118.4	112.6	60.2	65.5	51.2	490.2	105.0	164.3	79.7	107.9
-TV sets, in thousand pcs	84.8	106.8	50.0	20.7	38.3	336.0	97.4	71.9	119.3	90.2
-nitric fertilizers, in terms of N ₂ , in thousand tons	102.4	106.5	117.0	118.3	115.9	926.2	113.9	103.0	104.1	103.5
-plastics, in thousand tons	142.6	127.0	53.6	39.1	45.9	385.1	155.7	111.5	95.7	110.0
-cement, in thousand tons	91.8	101.9	1,526.3	1,503.0	1,501.7	11,313.4	106.7	103.2	108.0	102.8
-footwear (without rubber-made), in million pairs	110.7	115.3	12.6	7.9	10.8	97.5	104.1	104.1	104.7	105.9

Construction

Base production of socialized construction/assembly enterprises, in billion Zl (at constant prices)	113.3	119.1	68.1	62.4	62.5	467.3	107.1	109.8	104.4	107.8
Average employment in socialized construction/assembly enterprises, in thousand persons	99.3	99.1	919.2	919.6	916.3	919.1	101.3	100.7	100.8	101.1
Base production per employee of socialized construction/assembly enterprises, in thousand Zl	114.1	120.2	74.1	67.9	68.2	663.0	105.7	109.0	103.5	106.7

1	2	3	4	5	6	7	8	9	10	11
Average monthly wage in socialized construction/assembly enterprises, in Zl	127.1	131.0	16,839	18,162	17,492	17,450	117.8	124.3	117.0	126.9
-Dwellings handed over in socialized construction, in thousands	107.7	114.4	20.3	5.4	7.5	71.1	106.1	106.9	84.8	97.8
-Area of new dwellings handed over in socialized construction, in thousand sq. m.	108.7	115.8	1,112.2	306.5	418.4	3,910.0	108.6	107.9	87.7	100.4
Agriculture										
-Livestock procurement, in terms of meat, in thousand tons	120.2	95.7	115.1	190.6	138.6	1,170.1	113.1	107.1	94.8	96.8
-Milk procurement, in million liters	114.0	115.7	1,238.7	1,276.5	1,228.9	7,904.0	106.3	107.7	106.4	108.4
-Egg procurement, in million pcs	119.2	86.4	211.3	190.9	182.3	2,053.4	88.5	87.4	81.8	101.0
Transport										
Cargo carried by socialized transport, in million tons	101.3	102.8	92.3	95.1	97.6	715.8	103.7	106.3	101.9	104.0
of which:										
-by rail (standard gauge)	102.0	104.0	33.9	35.3	35.9	280.3	100.5	103.7	104.1	103.3
-by road (public and sectoral transport)	100.5	101.1	49.3	50.9	52.7	400.2	98.4	108.5	100.1	104.6

1	2	3	4	5	6	7	8	9	10	11
Transshipment at commercial seaports, in million tons	114.5	126.4	4.8	4.5	4.8	37.6	95.7	114.7	118.0	122.0
Foreign Trade										
Exports, total in billion Z12	111.5	116.9	122.0	100.1	104.6	798.8	114.0	128.2	121.9	120.3
-payments zone I	103.0	117.5	57.8	45.4	48.5	373.7	114.5	128.4	118.3	114.9
-payments zone II	120.5	116.5	64.2	54.7	56.1	425.1	113.6	128.0	125.1	125.5
Imports, total in billion Z12	107.8	114.8	104.3	96.3	103.8	721.8	122.4	131.0	126.0	121.6
-payments zone I	108.6	111.8	59.6	55.6	55.4	401.1	116.7	134.1	116.6	118.6
-payments zone II	106.7	119.1	44.7	40.7	48.4	317.7	131.0	127.1	138.9	125.6
Consumer Market Situation										
Population's money incomes, in billion Z1	130.4	129.1	387.0	429.2	448.0	3,239.0	115.9	118.5	118.8	119.3
Population's money expenditures, in billion Z1	128.8	134.2	382.1	391.7	405.8	3,082.8	121.1	128.3	118.9	123.4
Retail sales (at current prices), in billion Z1	125.0	134.3	331.1	340.0	341.8	2,635.0	120.3	127.7	118.6	122.0

1. Including employee cost-of-living pay supplements and profit-financed pay components.

2. At current prices.

Note: The data are preliminary and are subject to change.

Table 2. Structure of the Population's Money Incomes and Expenditures

Specification	August	Jan.-August		Aug	Jan-	Jan-Dec
	in billion Zł	in billion	CAP target = 100	The same period of 1983 = 100	Aug The same period of 1983 = 100	(plan)
I. Incomes, total	448.0	3,238.9	67.1	118.8	119.3	113.8
of which:						
-wages	203.8	1,668.0	65.2	121.7	119.4	116.9
-social benefits	73.3	586.4	70.0	113.8	119.4	112.3
-credits received	11.7	122.3	80.4	97.2	121.7	105.5
-earnings from sale of farm produce	105.6	458.0	61.1	115.7	108.1	106.1
II. Expenditures, total	405.8	3,082.8	67.3	118.9	123.4	116.4
of which:						
-purchase of goods	326.3	2,504.7	67.2	118.6	122.9	116.3
-purchase of services	46.2	344.2	67.2	115.5	122.0	116.3
-taxes and fees	12.1	103.7	77.4	160.0	159.3	119.6
-credits repaid	9.7	51.4	61.9	125.3	123.4	111.9
III. Changes in the state of population's money reserves	42.2	156.1	62.5	118.2	72.0	81.0
of which:						
-saving deposits	25.9	83.4	x	108.5	74.0	x
-cash	16.3	72.7	x	137.7	69.8	x

Time-flow indices for January-August: 66.7 percent (calendar time); 67.3 percent (working time).

Note: The data are of preliminary nature, based on summary reporting and estimates.

Source: National Bank of Poland (NBP).

CSO: 2600/97

CHANGES IN CUSTOMS LAW SPARK CONTROVERSY

Official Interpretation of Changes

Warsaw ZYCIE GOSPODARCZE in Polish No 33, 12 Aug 84 p 14

[Interview with Kazimierz Prośniak, president of the Central Customs Office, by Jerzy Stolarek; date and place not given]

[Excerpts] [Question] Mr President, the question of customs keeps coming up over and over again in connection with the summer trips abroad. Of course, this also gives rise to gossip about an impending hike in the rates for individual goods. It is obvious that the duties must go up at a time of emerging from the crisis. The recent amendments to the customs law added fuel to the gossip. Can you comment on it?

[Answer] Gossiping isn't a nice thing to do, but I do not conceal that the Central Customs Office is indeed working on a revision of the rates to adapt them to the current economic needs of the country. I quite agree with you that for many reasons the rates should indeed go up.

As for the Customs Law, I will say first of all that the regulations binding so far had been introduced in 1975 and I don't need to explain how much the state of the Polish economy has changed since then. After all, we also introduced the economic reform in between and far-reaching changes occurred in the system of management. For this reason the law had to be amended and, in view of the need to adjust the domestic regulations to international agreements. These were the factors the Sejm took into account while amending the law.

[Question] What was the direction of the change?

[Answer] The changes are first of all of an organizational nature. They can be summed up in six points. First of all, we have introduced a clear-cut division between commercial and noncommercial turnover. At present, the notion of commercial turnover denotes commodity turnover conducted by subjects holding appropriate licenses within the framework of these licenses. The notion of subjects was also considerably extended and now embraces not only state-owned and cooperative enterprises but also private persons, e.g., self-employed people. The noncommercial turnover embraces

the remaining subjects. Such a division of international commodity turnover corresponds to the provisions of the 26 February 1982 law on the licenses for engaging in foreign trade activities.

Secondly, the regulations governing the operation of customs warehouses have been changed. The previous regulations dating back to 1975 did not make it clear who is authorized to issue permissions for setting up customs warehouses, despite the fact that the law mentioned such warehouses. The gap has now been filled, which is important because the customs warehouses have been playing a major role in commercial turnover with foreign parties. Thanks to the changes it is also possible to set up an additional kind of customs warehouses, called transit warehouses.

The third change concerns the introduction of antidumping duties. Since 1981, Poland has been a party to an agreement concerning the application of Article VI of the General Agreement of Tariffs and Trade (GATT). The accession to the agreement entails the duty of adjusting internal legislation to its provisions. The inclusion of the antidumping procedure and duties in the customs law fulfills this requirement.

[Question] I understand that these are the fundamental and most important changes in the customs law. What do the remaining ones deal with?

[Answer] They are no less important than the ones just mentioned. They concern the possibility of suspending the payment of customs duties or their refunding and the possibility of appealing the decisions of the customs authorities to the Supreme Administrative Court.

So far the regulations in force did not provide for the possibility of suspending customs duties, whether in commercial or noncommercial commodity turnover with another country. Now that this possibility has been introduced, it may turn out to be very handy. It will be possible to suspend the collection of customs duties without altering tariffs and the regulations governing exemptions from customs duties. The need of suspending customs duties will be indicated by the economic and social situation of the country. The bodies authorized to suspend customs duties will be the Council of Ministers with regard to commercial turnover and the minister of foreign trade in noncommercial turnover.

The refunding of customs duties was another problem that was not settled until recently. It concerned state-owned and cooperative enterprises alone anyway, which was reflected in many other legislative acts. The customs law simply did not settle the question of refunding the customs duties paid on imported components and raw materials used in products that are subsequently exported.

Let me add a few words about the possibility of appealing the decisions of the customs authorities to the Supreme Administrative Court. So far the provisions of the administrative procedures code did not envisage the possibility of state-run organizational units appealing the decisions to collect customs duties. Now this possibility has been introduced, which is important

if only because some international agreements make it imperative to provide such a possibility.

It is worth mentioning that the Sejm also approved changes concerning the awarding to the minister of foreign trade of the right to issue guidelines regarding the tariff classification of goods, the amendments defining the cases in which customs exemptions will be possible, etc.

[Question] From what you said I can see that the changes are rather far-reaching but they do not in principle affect the average citizen who goes abroad as tourist. Do you consider that this brings the process of amending the customs legislation to the end?

[Answer] Of course not. We are only at the beginning of the road. It is necessary to keep improving the regulations all the time, and to adjust them to the current socioeconomic situation. However, it should be borne in mind that the elaboration of a new customs law will also entail the preparation of over a dozen executive acts changing the present system of licenses, customs duties, control, etc. This is an extremely labor consuming task, but it is indispensable, therefore we are going to start work on a new customs law.

'Fiscal' Customs Duties

Warsaw POLITYKA-EKSPORT-IMPORT in Polish No 39, Sep 84 p 19

[Article by Marek Henzler: "New Export and Import Tariffs"]

[Excerpts] Although restrictions on foreign travel have been in force for several years now, everybody is interested in customs duties. It is worth taking a look at the recent changes in this respect and examining their significance.

Last July the Sejm amended the customs law and the minister of foreign trade revised some customs rates in the so-called noncommercial commodity exchange. The amended law made a clear distinction between commercial and noncommercial turnover, although as recently as last March the president of the Central Customs Office (GUC) told SZTANDAR MŁODYCH in an interview that the division into these two kinds of turnover was unwieldy for customs officers. Commercial turnover is the import and export of goods by state-owned and cooperative enterprises and by private firms which obtain a license for such turnover from the minister of foreign trade. Other turnover, e.g., that effected by tourists or Poles working under contracts abroad, is classified as noncommercial. Different procedures and different customs rates apply to the two kinds of turnover.

A number of new regulations were introduced to the customs law, bringing the customs system into line with the requirements of the economic reform, e.g.:

--The possibility of obtaining a refund of customs duties collected on raw materials and components imported into Poland and used for products that are later exported;

--The right of state-owned organizational units to appeal the decisions of customs officers to the Supreme Administrative Court;

--The possibility of suspending the collection of customs duties without changing customs rates and the regulations providing for exemption from customs duties.

The procedure of setting up and running customs stores and antidumping procedures were also introduced.

Those who would like to know what the recent changes could embrace, but they didn't, should go back to the 49/1983 issue of POLITYKA, in which T. Bartoszewicz suggested using customs duties for controlling imports. This is indeed being done, but it affects only the purchases of private people, not autonomous enterprises.

The citizens will certainly be more interested in the changed rates of customs duties than the amendments to the customs law. This concerns not only those traveling or working abroad but also those who receive parcels from abroad or buy goods in Pewex stores or cars from Pol-Mot for hard currencies, as well as those who buy foreign products in the bazaars or in shops which purchase them from private persons for resale. The amount of customs duties also affects the prices of second-hand cars, the black market exchange rate of the dollar and the profitability of "private imports" which compensate for the shortages of many goods on the Polish market.

With the exception of cars, the scope of this import is hard to define. The GUC can only supply rough estimates.

The country is not interested in the transfer of hard currency abroad by private persons, and it would also like to persuade those who earn hard currency abroad to spend the money in the dollar shops at home. This was the main reason for the recent changes in customs rates. The new list introduced more limitations in the amounts of goods that could be brought into Poland without paying customs duties. For example, until recently it was possible to import 8 kilograms of sheepskin coats, 1 kilogram of shampoo, half a kilo of cosmetic or 30 kilograms of lubricating oil without paying duties. From 1 September, this has changed. However, it is still possible to bring in food (other than tea, coffee or cocoa), medicine, household appliances, furniture, toys, bicycles, farm implements, pesticides, craftsman's tools, etc. While the list still numbers 82 items, it is shrinking all the time.

The fact that a given commodity is exempted from customs duties does not mean that no other charges will apply. The customs officers are obliged to report any batch of goods whose value exceeds Zl 30,000 to the fiscal authorities, which can levy a suitable tax.

Many other goods can also be brought into Poland duty free provided the amount does not exceed the limits set in the regulations. These limits have recently been considerably lowered, too: coffee from 5 to 3 kilograms, tea

from 3 to 2 kilograms, washing powder or paste from 20 to 5 kilograms, soap from 4 to 2 kilograms, yarn from 2 to 1 kilograms, cotton and woolen fabrics from 5 to 3 kilograms, decorative fabrics from 8 to 3 kilograms, magnetic tapes and cassettes from 5 to 2 pieces, knitwear from 5 to 2 kilograms. Besides, the rates for additional quantities exceeding the duty-free limits have been greatly raised--from Zl 100 to 500 in the case of tapes, from Zl 100 to 300 on washing powder, from Zl 800 to 1,500 on yarn. Besides, if the duty-free limit is exceeded by more than 200 percent, the whole batch is subject to import duties.

Also the rates for goods which were subject to customs duties before have been raised: for silver from Zl 40 to 60 per gram, for gold from Zl 100 to 150 per gram, for radio-cassette players from Zl 1,500 to 4,500 for the first one and from Zl 4,500 to 8,000 for the second and more, video cassette recorders and video disc players from Zl 5,000 to 10,000 for the first one and Zl 20,000 for any additional one. The duties for stereo audio equipment are doubled that for mono equipment.

However, the biggest changes concern cars brought into Poland, both foreign and Polish-made. Last year, private persons imported to Poland 16,478 cars and 647 car engines. This was almost three times less than in 1981. For many years customs duties on cars have accounted for between 80 and 93 percent of all the customs revenue and it would be hard for the authorities to give up this relatively simple way of increasing state incomes.

The 16,000 cars imported last year, assuming just \$2,000 per car, translated into some \$33 million which did not make it to the Pol-Mot accounts. At the same time this means an additional 16,000 cars in the queue for the rationed fuel and imported spare parts.

The rates now doubled for Polish-made cars and rose by 100 to 250 percent for the biggest foreign-made cars. Diesels are still treated more leniently than their petrol-driven equivalents. For example, the duty for a Polish-built Fiat 126p brought from abroad is now Zl 180,000, for the FSO 1500--Zl 306,000, for a Polonez--Zl 334,500, for a Skoda--Zl 481,250, and for a Mercedes 300D--Zl 1,300,500.

In a person or a member of his household imports another car within a space of 2 years, the rate is increased by 30 percent. A surcharge of 20 percent is also applied if the car is more than 5 years old. This is designed to keep Polish roads free of foreign scrap on wheels. But who and how is going to clean them of Polish-made rustheaps?

Within a few weeks we shall see whether the new customs duties will persuade the hard currency customers to visit Pol-Mot stores to buy new imported cars or the Polimar yards where they can buy second-hand vehicles imported from the West. Their prices are high, but when you buy from them you do not have to pay customs duties nor tax. One notable effect is already visible: A week after the new rates were announced, the prices of Western cars on the private used car market jumped up and the black market exchange rate of the dollar rose from Zl 560 to 600.

The recent change of customs duties shows that the Polish customs system is assuming an increasingly fiscal character. Through the customs, the state collects additional funds from citizens as a "penalty" for the private import of goods. The rates go up, the duty-free quotas go down for what are termed as luxuries and in reality most often means very down-to-earth goods which happen to be scarce on the domestic market, e.g., tea, shampoo, magnetic tape, stereo systems, and even better-quality toiletries.

While acknowledging the need to plug the holes in the state budget, it is however difficult to accept the idea that customs duties should be a tool hampering the satisfaction of what may have once been needs of a higher order but are essentials now.

The deficit in the country's balance of payments and Poland's difficult economic situation are the reason for the emphasis on the prohibitive nature of the customs rates. They are designed to stop the private import of goods that from the economic point of view are undesirable, such as cars. But if the citizen is so stubborn that he does not want to keep his dollars in Bank PKO SA, the customs duties are there to persuade him to spend his dollars in the hard currency stores.

On the other hand, for the time being the Polish customs duties do not fulfill any protective role from the point of view of the interests of the Polish industry. The Central Customs Office people do not remember a single instance of an enterprise suggesting such a move. Given the shortage of almost all commodities, it is hard to imagine such a situation (liquor being the only possible exception).

And so, from high duties of the 1960's, through a gradual liberalization of the customs regulations in the 1970's and almost complete lifting of all import restrictions, we are returning to high customs duties at a time when the one thing the market abounds in are shortages.

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CONTROVERSY OVER POLONIA FIRMS CONTINUES

WASHINGTON POST Article Criticized

Warsaw RZECZPOSPOLITA in Polish 26 Sep 84 p 3

[Article by Mirosław Ziach]

[Text] The name Preisler Industries conveys little to most people in Poland except for some music lovers who know that the name applies to a cassette manufacturer.

In spite of this the Polonian-Foreign Company of Preisler Industries has gained a mention in the columns of the influential WASHINGTON POST. The readers of this daily learned, among other things, details of Mr Harry Preisler's life, namely that he is an American textile wholesale dealer and that he and his son Edward established a Polonian building company and a company manufacturing cassettes in Warsaw. These and other details give the impression that Graham Bradley, WASHINGTON POST's correspondent in Warsaw, knows the subject inside out. By quoting these details Bradley presents his own version of the history of Polonian companies in Poland.

The text is cunningly arranged, Bradley quotes very skillfully, the Plenipotentiary of the Polish Government for foreign small-industry enterprises, and an Inter-Polcom vice president--a well known American financier of Polish origin exporting capital for establishing small businesses in Poland among others.

He does it to prove that the Government of the Polish People's Republic first asked for foreign capital and now wants to bring down those who brought it in. This is incorrect--said a Polonian businessman after reading Bradley's report from Warsaw. The article was published on 23 May. Some time has passed since its publication and perhaps nobody would bother to go back to the problem if it were not for the fact that other Western mass media have started demonstrating their interest in Polonian companies operating in this country.

Voice of America, for example, devoted some minutes of its air time to discussing the WASHINGTON POST's article. NARODOWIEC [THE NATIONALIST]--a right wing daily published in France ran a similar commentary. Was it accidental?

On 27 June, Harry Preisler appeared in the Main News Commentary program explaining that he came to Poland to create business, that he is a businessman and not a politician and that he is not going to engage in politics. TV viewers throughout Poland watched and listened to Mr Preisler while WASHINGTON POST readers did not.

In the meantime some foreign correspondents accredited in Warsaw have been taking every opportunity to examine the problem of Polonian-Foreign firms. What are they counting on? What is it they would like to hear from the owners of these companies? Do the real sponsors of foreign journalists in Warsaw await confessions from businessmen who have failed in Poland?

Are there such businessmen? Taking into account statistical probability, and some 600 owners of Polonian-Foreign companies in Poland, the answer is yes. There are some of them who are not doing well, that is only natural. In the United States, Japan, and West Germany thousands of firms go bankrupt every year. Those who expect Poland to be the only oasis in which small business will constantly prosper are totally wrong and the Western press is well aware of this. The point is that this bankrupt, irrespective of the reasons for his bankruptcy in Poland, sheds tears before a foreign correspondent, and they jointly jump to the conclusion that it is the Polish regime who is to be blamed. The media are in a position to present such an owner as a businessman with plenty of ideas and full of initiative, yet naive, since he has trusted the Polish authorities. The correspondent does not care that nobody will remember the name of this heroic bankrupt in a week's time. Polish-Polonian relations are being carefully watched abroad. Any discord is most comforting music to Poland's adversaries, while any improvement in these relations irritates hostile governments.

In the meantime Polonian business booms despite various obstacles (most of which stem from the nature of this business), these are the facts. As regards foreign companies, the owners of which are usually expatriate Poles, they do not pose economic threats to foreign governments. The U.S. sanctions and restrictions against the fishing fleet, Polish Airlines LOT and the export of many Polish-made goods to the American market are also unwarranted from the point of view of U.S. economic interests. Polonian firms, like Polish-American cooperation in fishing and air transport, are being treated as pawns in a political game against Poland.

By the way, I am curious to know whether the WASHINGTON POST will find a room to inform its readers that during the 10th Economic Forum of Polonian Companies in Poznan this June, Polonian businessmen from 17 countries adopted a resolution in which they came out against all economic restrictions imposed against Poland for political reasons. I doubt if there are people, however, who may consider this as another token of the freedom of the U.S. press...

The matters involving Polonian-Foreign firms in Poland are taking their course. New companies are being established. Some of the already established ones, switch to other production. Some are subject to careful control. Others have to be closed down for having acted at variance with the law of the land.

The following are opinions made during the meeting of the 10th Polonian Forum in Poznan. "It's good that the authorities take dishonest Polonian companies in hand. This may help to purify the atmosphere that has been created around our movement."

The Western press passes over these words in silence. Is it because those who expressed this opinion are convinced that the interests of every Polonian-foreign company have to be related, one way or another, to Poland's interests. But what business is it for the foreign correspondents accredited to Warsaw to send reports regarding such bilateral interests...

Need for Polonia Firms

Warsaw POLITYKA in Polish No 39, 29 Sep 84 p 7

[Article by Jean Zarzecki: "Sucklings or Bastards?"]

[Text] As soon as they were set up, the Polonian firms, sucklings in the Polish economy, became subjects for criticism by certain communities, challenging their birth and treating them as bastards.

Why?

On the one hand, the reason lies in the deficiencies of the present law. And little wonder. This was a pioneering operation, and it was difficult to avoid problems simply because no one had any experience. The deficiencies came to light once the law went into effect, causing confusion. Some cunning investors, however, took advantage of these deficiencies, and those in the present system, to do a booming business on the principle that if something is not forbidden, then it is admissible.

As a result, Polonian companies became targets of severe criticism. The main purpose of this attack was to generalize the problem and sometimes even prevent the companies from continuing their operations.

I would like to defend the very idea of Polonian companies, and expanded economic cooperation between expatriate Poles and Poland. I will not discuss who is responsible for the present state of affairs, nor absolve those who have abused the principles of industrial and commercial ethics.

I would like to discuss this problem in the context of the world economic recession. The recession, despite signs of improvement, continues. The purchasing power of the population is decreasing. This is true in Belgium, the Netherlands and France, supposedly rich countries. In Latin America the pace of this decrease has been extremely rapid. Even as rich a country as the United States, where economic recovery has been observed, has faced difficult financial problems, to mention only the public debt. Budget deficits in many countries have reached alarming proportions, in others internal and external debts (and growing budget deficits) are threatening their future economic development.

The consequences of this state of affairs will soon be apparent. All of the countries mentioned above have had to reduce their budget deficits and foreign debts either on their own or at the International Monetary Fund's behest. This, in turn, has forced the authorities in those countries to impose severe restrictions, limitations, and new fiscal restraints to restore equilibrium. In practice they further decrease the population's purchasing power which worsens the industrialists' position in many countries which are suffering from a decline in or stagnation of production. There are serious reasons to fear that in the future many countries will ban foreign trade and promote protectionism.

After this little digression I return to the main problem.

Poland with its highly skilled workforce, often badly used, its substantial material resources and unused wastes, could play a more important role economically and in the world of business than it plays at present. Poland is experiencing temporary financial difficulties. It cannot afford idle investment projects or poorly used productive capacities.

In this situation, it should take maximum advantage of Polonian and foreign industrialists and businessmen. Both guarantee modern technologies and modernization of outdated Polish factories to better use available materials or import essential ones. They offer the Polish economy a way to gain extra convertible currency thanks to the added value. The initiative and adaptability that foreign companies have displayed, ensure Poland a competitiveness comparable to that of other countries and continuing familiarity with technological innovation in leading industries.

What should be done to attract these people and their capital to Poland? What should be done to encourage the Polonian companies currently operating in this country to invest their capital?

The answer to this question can be summed up in a few points.

First, the investors should be guaranteed the right to take their invested capital and profits out of Poland whenever they wish.

Second, industrial concessions should be granted for periods up to 49 years (contracts entipheotique).

Third, fiscal policy should guarantee that taxes do not exceed 50 percent of the company's profits.

Fourth, fiscal policy should guarantee that the obligatory exchange of convertible currency earned from exports should apply to the excess above the costs the Polonian company incurred in convertible currencies for the raw materials or essential components for production. These hard currency revenues reduced by hard currency expenditures should be subject to the 50 percent obligatory exchange into zlotys at the same rate of exchange that the hard-currency fiscal authorities apply to state-owned foreign trade enterprises and state-owned enterprises authorized to export.

Fifth, the foreign investor should be ensured the chance to acquire raw materials and the right to develop its economic activity fully.

Sixth, he should also be guaranteed the rights and treatment he enjoys in his homeland.

I am convinced that if the Polish authorities grant these guarantees and respect them that no economic sanctions against Poland can prevent foreign investors from investing their capital in Poland.

CSO: 2600/102

LABOR MINISTRY STUDIES WORK FORCE TURNOVER PROBLEM

Warsaw RZECZPOSPOLITA in Polish 24 Sep 84 p 3

[Article by B.P.: "Causes and Effects; The Labor Merry-Go-Round"]

[Text] Where do the workers go when they leave their jobs, since there is a shortage of workers everywhere? The demand for laborers is not decreasing, almost everybody is clamoring for them. According to the employment specialists, one of the main reasons for the labor market disarray is the excessive mobility of the cadres. Following the data of the Ministry of Labor, Wages and Social Affairs [MPPiSS], only 10 to 15 percent of the positions registered as vacant at the employment agencies are positions in newly established plants or branches; the rest of the cadres' demand is the result of an excessive fluctuation of the workers. In practice these proportions mean a very large disproportion on the labor market; they cause an artificial increase in the demand for people and also manifest a lack of stability among the cadres.

Is this really a harmful and dangerous phenomenon?

Most certainly so, considering the frequency with which it occurs in our economy, since one in every four or five workers changes his place of employment every year, and that a considerable group does not stay anywhere for any length of time, finding itself in a constant state of mobility as if on a merry-go-round.

It should be clearly stated that no one would favor stagnation among the cadres, confining people to any one place. Sociologists claim that there are beneficial aspects to the mobility of workers, as long as it stays within reasonable bounds. This affords the individual the chance to advance, to improve qualifications, it helps to develop skills. Without the freedom in choice of one's workplace, it would often be difficult to attain professional satisfaction and in general to obtain a suitable position. While this is often the case, it should not become the rule. In our circumstances it frequently happens that people, chasing after higher wages and other job and pay benefits, run from one establishment to another, while everything, with some effort, could be given to them by their former employer. In this situation the workers' wanderings have all the symptoms of a malady, debilitating our economic and social life.

it would be a distortion of the facts at some facts and numbers.

In 1981, which was the year of the fluctuation, 2.7 million work contracts were broken, and in the year 2.4 million, which does not amount to an increase. This means that the force of the turnover affects only a part of about 30 million workers. At the same time, cases of dismissal are numerous, amounting to 264,000 last year. The consequences of this are the infamous record of job turnover; in the United States, for example, within 1 year every third worker leaves a job.

As a result, the turnover is a loss, though this is not reflected in the accounts. It is impossible to estimate the losses resulting from the loss of discipline, decrease in quantity and quality of work, the cost of production caused by the hiring of new employees. The worker, after having worked for some months until he reaches the habits and ways of industrial production, is then dismissed.

If we look at the turnover in recent years, the MPPiSS supervisors found that the turnover is a result of strengthening the administrative management, introducing an obligatory training period for production workers, increasing productivity, and a reduction of wages in the same line of thought. The rationality of those proposals, it must be said, will not solve the problem of the turnover.

The turnover is a result of the following factors:

1. The turnover is a result of the measures to be initiated or developed within the enterprise, which requires a comprehensive, total relationship with the worker, including the social and professional of his work, creating prospects for personal advancement, through improving work conditions, concern for the worker's social and everyday problems. It is important for the management of the enterprise, the workers self-government bodies, and the trade unions to know how to make full use of their new rights under the present difficult economic changes; how to use all possible means presented by the economic reform, which could lead to creating a lasting bond between the people and their workplace. In this respect the resolution of January 1984 about the enterprise management system is extremely important. By moving away from the rigid system, encouraging the search for a form of payment most suitable for a particular enterprise, this resolution permits a proper evaluation and better work conditions, and encourages the elimination of the current nonsensical payment system.

11/1/84

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CONSUMER MARKET RESEARCH INSTITUTE ISSUES REFORM REPORT

Warsaw TRYBUNA LUDU in Polish 25 Sep 34 p 4

[Article by Mieczyslaw Wodzicki: "Conclusions of the Analysis of 1983; Report of the Domestic Market and Consumption Institute"]

[Text] The Domestic Market and Consumption Institute has issued a document entitled "Analysis and Evaluation of the Ways of Implementing the Economic Reform on the Domestic Market in 1983." That report was prepared by a group of about a dozen or so scholars, under the chairmanship of Doc Dr Hab Eng Andrzej Dabkowski. In spite of a number of debatable opinions, it contains an interesting survey of the phenomena taking place in our market.

The institute's analysis shows that some progress has been made toward market equilibrium.

Last year's sale of consumer goods and services was 12.3 percent higher than planned.

As a result of anti-inflationary measures, the increase of involuntary savings, in relation to the value of goods and services, was curtailed considerably. It amounted to 2.5 percent, while only 1 year earlier it reached 6.8 percent. Still, gaining equilibrium calls for balancing the supply with the people's total demand-fund, which came as a result of current and accumulated savings, and also calls for securing suitable inventories for trade.

The "overhang" of inflation, estimated in 1982 for 450 billion zlotys, which amounted to 16 percent of the value of supply of goods and services, increased during this year by about 100 billion zlotys. According to the report, this means in reality a decrease of its true value. Nevertheless, it still presents some danger to the stabilization of the market.

Last year the index of rotation of inventories increased to 45 days. In spite of that, it reached only one-half of what is desirable.

An imbalance in the supply of many industrial articles is still prevailing. This is the result of an exceedingly small supply of those goods, as well as the fact that a huge part of money reserves accumulated by the population is directed toward those purchases.

The institute's assessment of the functioning of the price system is negative. Not only did they not become a factor in enterprise behavior—we read in the report—but it never happened that enterprises made use of their right to establish prices according to the level of the market's balance. They decide on a price, mostly according to the costs-formula. In many instances, though, they hiked the prices so unreasonably that the goods started accumulating in the stores and the merchants stopped placing orders. So, this economic factor became in many instances the regulating force of the market.

This was not decisive, though, in the case of the producers of household and everyday-need articles, in which case the supply does not cover the demand. In this case, for as long as the economy is not fully regulated, the government must step in and curtail the price increases, in order to protect the financially weakest classes of society from the results of the crisis; this is in accordance with the 3-year plan.

The analysis of the prospects of achieving market equilibrium, claims the report, proves that this process can reach beyond the horizon of the 3-year plan, which among other things aimed at achieving a state of balance in the whole economy and especially on the domestic market. The authors, therefore, propose "hard" means which may lead to the desired equilibrium:

- consistent policy of "hard" financing and "tight" money;

- increase of people's savings base (among others, through an increase in construction);

- application of a general taxation policy;

- reform of trade in a way which will enable its functioning with appreciably smaller inventories.

Further, it was concluded that the main burden of balancing the market should rest on the price policy. The proposals, in essence, are aiming at limiting the "hot" money on the market.

In the long run we should be interested first of all in those actions which lead to an increase of production, lowering of costs, and raising the effectiveness of work.

It is difficult, though not to agree with that part of the report which expresses criticism of the slow progress in the process of restructuring our economy, especially orienting our industry to consumer market production. We still have the structures and mechanisms which were here before the reform. Not adjusting the aims and directions to the needs makes it impossible for the presently applied regulatory solutions to bring the total of expected results.

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CSO: 2600/50

HEAVY INDUSTRY MINISTER OUTLINES RESTRUCTURING PROBLEMS

Warsaw POLITYKA in Polish No 39, 29 Sep 84 pp 1, 4, 5

[Interview with Janusz Maciejewicz, minister of engineering and metallurgy, by Andrzej Mozolowski; date and place not given]

[Text] [Question] One director, a friend of mine, says he will not believe in the reform as long as first enterprises do not go bankrupt. But he has heard about none such case so far. Why have no enterprises gone bankrupt in the metallurgical and engineering sector until now?

[Answer] Imagine that personally I also support the idea of bankruptcy. But only for those who deserve it. We have to remember that various price arrangements produce a situation where final goods producers are quite well off while their suppliers can hardly make both ends meet. This, for instance is true of electronics. In such circumstances, when the supplier goes bankrupt, the end-product maker is also brought to a standstill, and the shortage of a trifle component may stop some important production.

[Question] You cannot permit such a situation and therefore subsidize the poor suppliers.

[Answer] Why on earth should I do that. Let the final goods producer subsidize them; he is the one in danger. He may even buy the insolvent enterprise. I believe that those who lose their self-financing ability should go bankrupt. This should give rise to a new, healthy process. If, for instance, a plant producing subassemblies for television sets goes broke, the TV sets producer should buy it. If it doesn't, it won't be able to produce.

[Question] Do such transactions take place?

[Answer] Many directors are still unfamiliar with this practice. They believe that, like before, the ministry will show mercy and help an enterprise in need. But these are illusions. There are also many directors however who are open to the new. Not long ago we have had a situation where a new ultra-modern foundry, *Wieliczka* lost its credit worthiness just after it had opened. And *Wieliczka* reopened? The Stalowa Wola combine bought the foundry, and now it works *Wieliczka* it. Today, I had a meeting with the PONAR association's board of directors. One of its members said:

"A lovely foundry had been built for us and now it produces something different for somebody else, and we still don't have a foundry working for us." So I told him: "Did you collect contributions from the association's members to buy the foundry when it was going bankrupt? No? Well, then your neighbor bought it and you have no grounds for complaint. They didn't buy it to work for you, they bought it for themselves." I will tell you more.

Stalowa Wola repaid the whole hard currency credit for the foundry in 1 year with its own money in order to avoid paying the interest, but its director is thinking in terms of the reform. He reasoned: "The credit was given for 5 years, but every year they collect the interest in dollars. If we repay the credit before time, we will save currency." This is the so-called horizontal flow of money which bankruptcies may lead to. As a matter of fact the danger of going bankrupt itself may produce good results and actual bankruptcies may be avoided. Such buying of companies threatened by insolvency takes place all over the world and powerful concerns are formed in this way. I don't see why the situation should be different in Poland.

[Question] These are probably the first cases of concentrating production in accordance with economic criteria and at the initiative of the enterprises concerned rather than because someone in Warsaw got the idea that some industry should become concentrated. But going back to the problem of subsidies, every new Massey-Ferguson [licensed] tractor costs you Zl 100,000.

[Answer] Just like all over the world, agriculture in Poland is subsidized by the government. The Massey-Ferguson subsidies are a form of such aid. Besides we are temporarily subsidizing the Massey-Ferguson tractors because of the high costs of the inauguration of their production and their limited numbers. As far as other tractors are concerned, their production pays off even though the prices are relatively low, they are very low in fact. It is my belief that tractors are still too cheap in Poland.

[Question] One million and a hundred thousand zloty is too cheap?

[Answer] I believe that most agricultural machines are too cheap and therefore the demand is so big. Every farmer with even a 2 hectare farm wants to have a tractor of his own instead of borrowing it from his neighbor or a farm servicing cooperative, and eventually we are witnessing situations where a tractor works 200 hours annually, which is nonsense both in technical and economic sense. We plan to produce 100,000 tractors a year by 1990. Moreover, if you compare the prices of tractors with those of potatoes and wheat, you will see that a tractor costs much less in Poland than, for instance, in West Germany. By the way, do you realize that in the West the price of a tractor with standards similar to those of Polish tractors is 1.4-1.8 times higher than the Polish price.

[Question] We are becoming lost in details which isn't good for an interview with a minister, but this is my fault. Let us discuss more general problems. You were not on the ministry's staff before your nomination and you were in charge of the copper industry. So you have a new look on metallurgy and engineering. Do you think these industries' structure corresponds with the needs? What would you like to change?

[Answer] But what kind of changes do you have in mind?

[Question] Proportions. What should be developed and what should be restricted?

[Answer] Our needs, i.e., the needs of the economy, exceed the capacities of metallurgy and engineering in every respect. The production of all goods is too low, we need more of everything. This situation does not allow any restrictions. So the industrial restructuring which we are talking about has been in the focus of our attention since the moment the economic reform was introduced, but at the same time defining the shape of this restructurization is one of the most difficult tasks we are facing.

[Question] The demand for the restructuring of industry has been repeated in all speeches concerning the economy for years, but nothing so far has been done in this respect. Isn't it high time to cease producing a bit of everything and of poor quality, and undertake industrial specialization? Apart from the United States and the USSR there is no country in the world which can afford autarky. We have to begin eliminating the least efficient production at last.

[Answer] The least efficient and the most raw-material and energy intensive. Yes, this is true but cannot be done by saying "this production should be dropped as of tomorrow." For instance, every now and then heated discussions break out about renouncing the production of motorcycles in Poland. But first we should examine the possibilities of uninterrupted motorcycle deliveries from other socialist countries. If we manage to guarantee such uninterrupted motorcycle imports--since motorcycles must be available on the market--then... Well, what then? I will not close any factory. We have the reform. Let enterprises decide whether they want to produce something else, at what price and for what money, or whether they prefer to close down.

I understand, however, that you refer to restructuring in general, so I will not try to wriggle out of this question by citing the reform. In order to carry out a wise and effective restructuring, it is necessary to conduct a thorough analysis of the situation in metallurgy and the whole of engineering which would enable us to compare the performance by every enterprise and every branch, examine labor productivity per one employee in zlotys, rubles and dollars (in case the enterprise in question is also an exporter) and measure unit consumption of power and raw materials. Such analyses will enable us to shape an opinion about what kind of production can be limited or abandoned altogether and replaced by imports, and what should be developed.

[Question] But then you would have to compare everything.

[Answer] Yes, everything which is connected with metallurgy and engineering, which means also electronics, e.g., radio and television sets, and ships, and cars and enamel pots and washing machines too.

[Question] This must be a difficult job.

[Answer] Not only difficult but also very extensive. It necessitates complicated calculations involving all stages of production. For instance, in order to measure the consumption of materials by the shipbuilding industry, it isn't enough to examine materials consumption by shipbuilders, but also by the cooperating suppliers such as the Cegielski engine producers. And Cegielski, in turn will have to measure materials consumption by its supplies.

We have already conducted a preliminary analysis of this kind, but it is a very general one and therefore cannot serve as a basis for any decisions. It illustrates however certain interesting processes which do not correspond with what is commonly believed. What, for example, do you think is the most power intensive industry in comparison with product value?

[Question] Steel mills and foundries, I presume. Or at any rate something in the metallurgical sector.

[Answer] Well, no! The tool-making industry proved to be the most power intensive. There may be more such surprises, and they prove that it is absolutely necessary to conduct a thorough, comprehensive and honest analysis before any decisions are made. I hope we will manage to complete this analysis by the end of this year.

[Question] What decisions are you talking about? Isn't it so that even when a minister is fully aware that certain restructuring moves are necessary he, to cite your earlier words, cannot order anything?

[Answer] He cannot and, in his place, I wouldn't wish to. But there are taxes and interest rates. These can be higher with regard to those enterprises which do not deserve preferential treatment, can't they. Taxes and interest rates are very effective instruments of developing the most wanted spheres of production. And if somebody manages to cope with them without changing his product mix, God bless him. This will mean that he lowered the costs and increased labor productivity to such an extent that maintaining the same product mix has become advantageous for the economy.

[Question] Let's presume that those analyses you told me about tell the ministry what should be supported, what should be halted and what should be abandoned altogether, and that the ministry applies the instruments you mentioned. Where will the money for restructuring come from? Of course, restructuring will have to go in pair with modernization since a considerable part of industrial plant and equipment is dramatically outdated. The modernization program for metallurgy and engineering through 1990--or its draft, to be more exact--envisages capital expenditure amounting to 50 percent of the figure for the national economy as a whole. Is this feasible at all?

[Answer] Several programs (for electronics and for the modernization of metallurgy) have already been adopted by the government. Others are being drafted. Each of them defines the size of the necessary capital expenditure. We also have to know the size of enterprises' own resources and the level of credits and subsidies they have to obtain. We will add together all these resources which the banks or the government would have to earmark during the

whole 5-year period. Should a comparison of this sum with that envisaged by the Central Plan produce a deficit, we will retrench the resources of those enterprises which are the worst according to our analysis. One way or another, investments are necessary and these must involve large sums indeed. The investing inertia of the past few years has already produced bad results which may become really fatal with the passage of time. Some enterprises try to make up for this by extra employment. They plead: "Grant us relief, do away with the FAZ tax and the people will come to us and production will grow." But this is fiction. There will be no people to work. This is what demographers say. At the most, enterprises can bargain for workers between one another, or gain new workers after a plant closes down. Therefore modernization is our only chance. A Cegielski director said: "I could organize the second shift, but to do so I need 850 people and I will not get them no matter what I do. Therefore I have to replace the assembly line with machining centers. I know this will cost us but thanks to them I will be able to organize two shifts of work without expanding employment by a single worker." The same happens in other enterprises.

[Question] But capital expenditure must not be too big since it aggravates inflation.

[Answer] True. The 1983 capital expenditure plan was exceeded. We have to halt that process, with the help of taxes perhaps.

[Question] You mean that taxes will be imposed on investment projects?

[Answer] There are various proposals. But one thing, according to me, is certain; they should be applied selectively.

[Question] Why don't we manage to expand our engineering exports to the West?

[Answer] First, because the competition is very strong and a considerable part of our production does not meet the world standards. Second, we could export greater quantities of some of our products (e.g., building machines) but our production capacities are limited. Third, some exports have become unprofitable, to mention consumer electronics which are produced on a mass scale in the West at very low material costs. The electronics industry, for instance, consumes quite a big amount of gold which in Poland is four times more expensive than elsewhere. But its price cannot be lowered since there would be gold rush on the market, profiteering, etc.

[Question] Let us then tackle a different problem. What about the relations between metallurgy and engineering?

[Answer] You expect me to say that they are bad. No, I will not say that. This conflict is artificial, caused by people not by arguments. Certainly, there is wages rivalry between these two industries. Workers from the engineering industry think they earn too little in comparison with metallurgical workers, who, in turn, argue that they have too little when compared with miners. But this is nothing unusual; the situation where one enterprise pays more than another is normal.

[Question] But other sectors of industry complain about metallurgy, about the poor variety and quality of its products. For 25 years for instance I have heard that instead of thin steel sheets the industry is getting thick plates since their production is more convenient for rolling mills, and for the same number of years successive ministers and deputy premiers have been promising reporters that they would resolve the problem.

[Answer] If so, I will not make such promises. Remember that as long as practically everything is in short supply the suppliers will occupy the privileged position with regard to anything--from rubber elastic to steel.

[Question] What about quality? True, the industry you are heading produces more top quality goods awarded the "Q" or "I" quality marks than any other but some products of yours are becoming rapidly worse. Do those refrigerators, washing machines, cars and practically everything have to be so bad, and become worse all the time?

[Answer] First, not everything at all.

[Question] So what is good, what improves?

[Answer] Building machines, for instance, or light bulbs. They are good and their quality keeps improving. This year we will produce 31 million long-life bulbs which won't burn out for a period 2.5 times longer than an ordinary bulb. Next year such bulbs will make 50 percent of the country's total output. But of course it is impossible to disagree with the opinion that in general the quality of production is poor. I cannot tell you anything new in this respect. We all know that the reasons for this poor quality are old plant and equipment which is frequently falling to pieces, the necessity to apply substitutes and also, mistakes, careless assembly, poor technological discipline and, generally speaking, workers' unworkmanlike attitude toward work. Quality improvement programs have been completed. I will not make promises, time will come when they will come true.

[Question] Speaking about quality, what about cars? Everybody knows they are bad and cannot be better unless major investments are made and big money is earmarked. Will the recent growth of car prices help producers, the FSO and the FSM, to resolve their really dramatic problems?

[Answer] No, it will not, since the price growth was first and foremost dictated by increases in production cost which on the average went up by 20 percent this year as a result of higher costs of electricity, coal, coke, higher transportation tariffs, and higher prices of metallurgical products, nonferrous metals, cellulose and rubber, which all have a significant impact on car production costs. In order to avoid raising car prices in 1983 and early this year we temporarily lowered the sales tax. But the reform does not allow for applying such measures for long. I agree with you that the automotive industry must be guaranteed the conditions for modernization and development. This is obvious. At the moment, we are conducting talks with foreign firms on modernizing the two car factories you mentioned. Important decisions concerning this matter are expected soon.

[Question] Will they indeed be taken? Personally, I am not so keen on expansion, but we should at least maintain the present level of production provided the decent standards of modernity and quality are met.

[Answer] I believe that if we present to the government attractive foreign offers, guarantees of foreign credits and creditors' commitment to accept our cars as a form of credits repayment our proposals will meet with the government's acceptance.

[Question] In the past, you let yourself be known as a man of action and energy. Now that the reform is in effect you cannot give orders, you can only control your sector by means of economic instruments such as taxes, or credits. In fact, it is not you who runs your industry but Minister Nieckarz and Minister Gebala. How do you feel in this position?

[Answer] It is only natural that under the reform more power has to be given to the functional ministries.

[Question] Therefore they must also accept a larger share of responsibility. How can you be possibly responsible for their decisions?

[Answer] As a member of the government I am one of those responsible for the operation of the sector I control. Since the economic instruments you have mentioned are being hammered out in other ministries, I understand I have to cooperate with them. I have suggested this to Minister Nieckarz and Minister Gebala and they agreed. After all, my ministry is entitled to propose some or other amendments to the taxation or the crediting system. Finally, managing a ministry cannot be limited to merely provisional schemes; in my view, it's more of a long-term planning--as is the case with restructuring programs--involving imagination and a highly developed sense of responsibility. The reform definitely doesn't curb my energy; it's rather stimulating in this respect as management by means of parametric instruments takes more activity.

[Question] You thus will be handling enterprises by means of parametric instruments without violating their autonomy. But do you think you will be able to handle your government colleagues as easily; given each of them will come up with his own arguments for gaining preferential treatment in the distribution of the available resources?

[Answer] You suggest there will be a tough competition between individual sectors of sectoral ministries such as the Ministry of Chemicals and Light Industries or Mining and Energy? Well, I may choose only between the sectors of my own ministry while it's the Planning Commission that is in charge of favoring specific ministries in this respect. In justifying my own choice I will provide figures from analysis on the performance of the branch liable for either preferential treatment, or restrictions.

[Question] What, in your view, is the most difficult part of managing a ministry?

[Answer] Trying to gain support for some policies pursued under the reform. Many people from industrial management show understanding for our efforts, but there are also many cases of extreme pessimistic attitudes: people flee from their jobs complaining about wages and material shortages. At this point it is most important, and also most difficult, to convince people that the reform is essential and to encourage initiative, industry and imagination. The more so as I want to win understanding for my steps, and for the policy of the government in general, among the widest possible spectrum of the workforce. To this end I am trying to meet with union activists and youth to discuss this subject and to make them see my point.

CS0: 2600/95

DEPOSITS IN PRIVATE HARD CURRENCY BANK ACCOUNTS UP IN 1984

Warsaw POLITYKA EXPORT IMPORT in Polish No 9, Sep 84 p 18

[Article by Jacek Mojkowski: "\$800 Million in Hard Currency Accounts"]

[Text] A black market currency changer outside a hard currency bank is an indispensable element of the picture, as much as a hole is a must in an old shoe. A certain senior employee of the Bank Polska Kasa Opieka SA in Warsaw's Traugutta Street says that when he goes to work and does not see the changers in the street, he thinks that either the hard currency regulations have become so liberal that there is nothing left for them to do or that things have got so bad that they prefer not to leave their homes for safety considerations.

They were missing only for a brief period following the imposition of martial law on 13 December 1981, but otherwise it has to be conceded that a changer outside a bank is part of the landscape: he was there, he is there, and there is every indication that he will still be there for at least some time.

Edmund Zawadzki, Bank PKO SA president since March 1983, disagrees: the stability and prospects of hard currency accounts in Poland should not be measured by the presence of black market dealers outside the bank but by figures. And these figures say that this year there will be over \$800 million in all private hard currency accounts, 100 million more than in 1983. This is the highest figure so far. A similar growth was recorded in 1979, but then the overall amount of private dollars in the banks was lower by almost a half from what it is now.

"The most banal conclusion there can be is that the amount of the deposits is proportionate to the customers' confidence," the president says. So if the amount is growing...

But that confidence varies. The average bank customer knows that in this country it is still easier to forbid than to authorize something or that a decision hastily made at one time takes indecently long to reverse, etc. Things improved somewhat with the enactment of the new foreign exchange law (which came into force in April 1984), whereby Polish citizens have been authorized by law to own hard currency and keep it in Polish banks (so far this was possible only on the strength of executive regulations issued by

the finance minister). But the new law is not flawless either as there is still no express guarantee, contained in a law, regarding the money deposited in the banks, and no synthetic list of the rights of the owners of the deposits.

Bank PKO officials say that, as always, a lot depends on patience. It should also be remembered that the amount of dollars in bank accounts and in the mattresses also reflects the so-called general situation, not only the interest rates or the quality of service at the till. Therefore when the bankers look at the figures, they do not get euphoric. They are aware that earning confidence does not take months but years and that the lean years usually last longer.

A report of Bank PKO SA can serve as a reliable starting point as this bank holds three-fourths of all the hard currency deposited by the people with Polish banks. The National Bank of Poland keeps 24 percent of the funds and Bank Handlowy SA w Warszawie 1 percent.

Undoubtedly, 1982 was the blackest year for the bank and for the hard currency accounts. For the first time in the history of hard currency accounts, the amount of money deposited in the bank was lower than in the preceding year (by \$16.6 million). The difference would have been even greater, had it had been for the relaxation of the curbs on using the funds deposited on the accounts, which took effect on 14 October 1982. From that moment new deposits began to exceed withdrawals, but this does not change the fact that the institution of hard currency accounts has been more panic-prone in the 1980's than it was before.

You do not have to read newspapers or listen to the radio but just watch the bank to see that something happened or is about to happen. In 1981 there was a rush of withdrawal in January (the dispute over the 5-day week), March (the Bydgoszcz conflict), August (the fiasco of the government-Solidarity talks), and after that, all the time until the end of December there were huge queues of people waiting to withdraw their dollars, with lists, numbers and volunteers keeping order in the queue. In 1982 business was slack. Last year there was just one outbreak of panic, when the foreign exchange law was about to be passed in the autumn. Then dollar notes had to be shipped from Warsaw to the Cracow PKO branch by plane. So far this year the situation was calm.

The panic starts with gossip: "They will take everything without compensation," "they will pay the zloty equivalent," or "they will give Pewex coupons instead of dollars. Warsaw, Cracow and Gdansk are the most susceptible to gossip whereas the smaller towns are more resistant to it. In 1982, the PKO branches in the smaller towns actually recorded a growth of deposits.

Will it be possible to eliminate the gossip? So far this appears to be unlikely, but it can be limited through broad information and the fulfillment of their obligations by the banks.

"We are aware," said [unclear]
through a shock,
lost all confidence in [unclear].

However, what the average customer wants to know is how the [unclear] dollars are deposited in the bank but rather what the [unclear] [unclear] deposited in his A-type account some years ago. [unclear] follows:

Since 14 October 1982 there have been [unclear] [unclear] deposited after that date can be used [unclear] [unclear] principles as before martial law, i.e., pay into the [unclear] money whenever the owner wishes to, in [unclear] [unclear] with regard to accounts opened before [unclear] [unclear] \$400 in cash for a short trip abroad, [unclear] [unclear] \$1,000 can be withdrawn to cover the cost of [unclear] [unclear] importing drugs. On the other hand, [unclear] [unclear] only obtain the Pewex coupons instead [unclear] [unclear].

This is how they explain it in the bank: "We [unclear] [unclear] was feared that if panic started, the bank [unclear] [unclear] for everyone. However, the decision to [unclear] [unclear] gories is no longer justified today when [unclear] [unclear] the post-14 October 1982 accounts anyway. [unclear] [unclear] with regard to a relatively low number of [unclear] [unclear] confidence in the bank. Besides, we [unclear] [unclear] putting all A-type accounts on an equal [unclear] [unclear] identical freedom of using his funds."

Without inducement, it is hard to [unclear] [unclear] in Polish banks get interest from [unclear] [unclear] to 11 percent in time accounts (3-year [unclear] [unclear] offers as the interest on private [unclear] [unclear] in [unclear] cent on the average.

Profitability is obvious and the [unclear] [unclear] friend of his asks him whether it [unclear] [unclear] or not.

Suppose you get a \$5,000 inheritance from [unclear] [unclear] account at 11 percent interest and [unclear] [unclear] every following year you get [unclear] [unclear] interest. But if you decide to [unclear] [unclear] added to your account and agree to [unclear] [unclear] cent more coupons than you would [unclear] [unclear] legally at the current unofficial [unclear] [unclear] Zl 300,000 a year, or Zl 30,000 a [unclear] [unclear] mentary income. In brief, without [unclear] [unclear] and let the bank live too.

If you keep your dollars under the mattress, you may appear to be safer but you cannot eliminate the risk of theft, loss or damage altogether.

Bank PKO SA is unique on a world scale in that it allows its customers to keep accounts in virtually all convertible currencies, which would not be possible in the West. A Frenchman can only keep his savings in francs which makes it impossible for him to escape the effects of the falling value of the franc to the dollar. In Poland, if one wants to, he may escape by holding accounts in dollars, Swiss francs, yen, and so on.

At one time, some people abused this opportunity for speculating on the growth or fall of the exchange rate of one currency against another. This has died of natural reasons when the Polish banks introduced a 4 percent difference between the buying rate of one currency and the selling rate of another. Today the gamble would only pay off if a currency were devalued by more than 4 percent, and it would only make sense in the case of bigger sums.

But the bankers complain about the huge number of sub-accounts in various currencies they have to handle. They think it should be enough to permit five basic currencies at the most, as 82 percent of the customers opt for the dollar, 11 percent for the Deutsche Mark, and most of the rest choose the French francs, the Swiss francs and the pound sterling anyway.

"Nothing that is worth having can be had without risk," they said at the board, and they are aware that this applies as much to the bank as to its customers. Both are equally interested in the greenbacks: the bank needs them to place them in other banks at a profit, and the customers need them to get the interest on them. But the question is whether the deal that the bank proposes its customers is sufficiently attractive to let them forget about the possible lack of confidence. An answer to this question can be found by looking at the total sum of the deposits as well as at their structure.

As much as 70 percent of the amounts deposited with the bank are long-term deposits, which are increasing with every passing year.

Also if you look at the deposits payable on demand, you can say that things are changing for the better because for the last 2 years new deposits have been higher than withdrawals. This is rather important as this kind of accounts are very sensitive and the movement of funds in these accounts depends both on market panic and on the season of the year.

The highest sums are deposited and withdrawn during the summer holidays. This is because one needs a bank certificate in order to be able to take hard currency out of the country. In the summer, three-quarters of new accounts are opened just in order to be able to withdraw the money shortly after paying it in and to obtain the necessary certificate. Sometimes an account is opened in the morning and the money is withdrawn already in the afternoon. As a result, there is less than \$10 in 40 percent of all accounts. The average amount deposited in a deposit payable on demand is \$100 and in long-term accounts it is \$1,000.

The accounts payable on demand are also opened for commercial reasons: this year there was a rush to buy cars abroad because of the anticipated rise in import tariffs, and this could be seen in the business in the hard currency banks. It is estimated that some \$160 million will be exported or transferred out of Poland. A major part of the amount will return to Poland in the shape of various goods.

On the other hand, withdrawal for the purchase of goods in hard currency stores in Poland has been declining. Some people say this is because of the improved condition of the domestic market, others argue that the goods Pewex and Baltona try to sell are less attractive all the time, and still others, especially bankers, are of the opinion that more people prefer to keep their dollars than to spend them.

It is known with precision how much hard currency is deposited in the banks: 800 million, i.e., some 300 million more than the total amount of credits Poland obtained in 1983. However, it is not so easy to say how many more dollars are kept under the mattress and could be kept in the banks instead.

According to rough estimates, people keep between \$2 and 6 billion at home. However, PKO SA bankers consider these estimates to be grossly exaggerated and believe that the actual amount is \$1.5 billion at the most. One way or another, it is worth making an effort to pick them up. If the people deposited the money in the bank, this would be equivalent to a relatively cheap financial credit, which Poland finds extremely hard to obtain.

A dollar under the mattress does not earn money, in fact it actually depreciates as it is not spared by the universal inflation. But the question is: What must be done to draw the money to the banks? The general answer is that people should realize that they lose by keeping their dollars at home. But they need guarantees of the security of their deposits, more liberal hard currency rule and a decent interest. PKO SA also point to the need of providing a better and faster service, an important point as the queues in the banks may easily discourage many people. The bank's managers assure me that a range of organizational changes were made, ensuring that the queues do not number more than several people.

The situation in investments and computerization is well known, but nevertheless it has been possible to open several new branches of the bank. There are also plans to introduce safe deposit boxes in the bank.

But it is also possible to improve service by introducing new kinds of hard currency deposits. One suggestion concerns issuing hard currency bonds next to hard currency accounts; the bonds could be non-negotiable or negotiable. It would operate on the following principle: You go to the bank and leave your dollars there in exchange for the bonds. Naturally, after the expiration of the agreement with the bank, the customer would be able to return the bonds to the bank and get back his dollars with interest.

Such a solution would largely simplify the bank procedures, cutting down on the amount of paperwork. It could also draw the funds of those people who

for various reasons would prefer to remain anonymous. The financial terms on which the bonds would be issued might also prove tempting for foreign (chiefly Polish) customers. It is also possible that the venture would fail if no new dollars were deposited, only taken out of the existing accounts and exchanged for bonds. It must also be remembered that the appearance of bonds will lead to the emergence of a group of rentiers living off trade in bonds.

"Unquestionably," they say at the PKO SA board, "any idea of streamlining the turnover in hard currency will have as many advocates as it will adversaries. Nevertheless, we must consider every suggestion, remembering that you can't make any money without money. Maybe you will not believe it, but when we were preparing to introduce the hard currency accounts 15 years ago we hoped to collect \$30, maybe \$50 million, yet now we have \$800 million."

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RISKS, DILEMMAS OF EXPECTED RISE IN REAL PERSONAL INCOMES

Warsaw ZYCIE GOSPODARCZE in Polish No 38, 16 Sep 84 p 5

[Article by Marian Wisniewski: "Incomes Policy: How Much? To Whom? For What?"]

[Text] The evolutionary continuity of changes in the distribution of the population's incomes was upset in the 1980's. The present state of affairs is largely the outcome of the developments of the last 2 or 3 years. A decisive impact was exerted in particular by three groups of phenomena: the radical redistribution moves of 1982 which were a result of an interim subordination of incomes distribution to the idea of a cushioned entry into the economic crisis, the high rate of inflation in the years 1982-84 and the flourishing of the parallel circulation of incomes in the years 1981-1984.

The protective moves, which came at a time when real incomes were on a decline, met with short-term public approval. However, they confronted the economic system with the necessity of neutralizing in the coming years the disadvantageous trends in the distribution of incomes (excessive levelling off of the distribution) which limit the growth of the economy, already undercut by so many external and internal factors.

The Mirror of Consciousness

At the same time, the appraisal of the economic situation as recorded in social consciousness turned out to be very superficial. The crisis was perceived as a development with only short-lived consequences for the standard of living, a fact which did not merit a thorough revision of consumer aspirations and attitudes. The sense of frustration of the consumer needs got stronger and the income aspirations remained unchanged. As a result, the motivation of economic revenge became stronger, along with the desire of a fast return to the pre-crisis situation, which was understandable if the crisis was perceived in political and general economic terms and not from the angle of one's own aspirations and strivings.

The hope that the economic reform will automatically and instantly transform the pay claims and demands of a majority of the people, intensified by the crisis, into a stream of economic motivation, stimulating a growth of

economic efficiency, was quickly frustrated by the intensity of the demands. Also the crisis turned out to be much deeper than it at first appeared to be and the stagnation barriers proved to be unexpectedly strong. Nor was it possible to avoid some technical errors in the introduction of the reform.

The situation which emerged as a result was conducive to the striving to block or abuse the new economic rules and to further press with group economic interests. The inflation mechanism which has been at work since 1982 is a symptom of this negative adaptation to the conditions of the economic reform.

The other negative feature of the present way of distribution is the weakness of the motivational function of incomes. Already at the beginning of the crisis, society's economic motivation found a wide outlet outside the official economic system. The durability of the phenomenon of a parallel circulation of incomes testifies to the still lax motivational ties linking society with the official economy.

The present relations in the domain of incomes distribution are a source of conflicts and are dysfunctional from the economic point of view, despite some signs of positive change after 1982. The extent of the likely negative effects of this situation in the future will depend on the general economic situation, i.e., the speed at which the economy returns to a growth period. Together with the rising rate of growth, there will be more room for reconstructing the pattern of the population's incomes and imparting a role of economic stimulators of effective production-oriented attitudes to incomes. The modest possibilities of growth in the coming year make it necessary to perceive the danger of a continued pursuit of the incomes policy binding so far. Outlined below are the most important areas of incomes policy and the dangers looming there.

Wage-Earners' Incomes

Wage-earners, who account for 49 percent of all Poles, have had to carry the biggest share of the burden of the economic crisis. In 1982, this group could see its material degradation in three dimensions at once: as relative degradation in relation to farmers, as relative degradation inside that group, which applied to 40 percent of the least affluent members of this group, and as direct degradation in the form of an average decrease of real incomes by 21 percent. Such a situation was bound to affect the social and economic views of this group.

The drop in the real value of wage-earners' incomes was not only profound but also unevenly spread. For the people in the first quartile (25 percent of the people with the lowest incomes) the loss amounted to 11 percent in comparison to the preceding year, whereas in the fourth quartile the setback was as high as 25 percent. As a result, income differentials among wage-earners were largely reduced. The coefficient of concentration of incomes (Gini's coefficient), which reached the level 0.23 in the 1970's, dropped to a record low level of 0.188 in 1982. Despite protective measures, some 36 percent of the population were in the low-income zone.

The price that had to be paid for limiting the circle of poverty in 1982 was high--the distribution of wage-earners' incomes observed until then was eroded. The motivational role of income differentials happens to be the strongest precisely among wage-earners. It is understandable that the economic reform requires changes in the pattern of incomes shaped in the 1970's. The significant levelling off of wage-earners' incomes at the threshold of the reform is a serious internal disorder. The course of reconstructing the pattern of income distribution will depend on the possibilities of growth of average real incomes. If this growth is low, the process engenders conflicts and has to be introduced over a period of several years. For example, at a 5 percent growth rate of average real incomes, a return to the pattern of the 1970's would require a further 9 percent decline of the real incomes of the population in the first quartile, the stagnation of incomes in the second, with only the higher-income 50 percent benefiting from the move.

The controlled reconstruction of the motivational role of wages (bigger differentials) may clash with spontaneous economic mechanisms. In 1983, an additional obstacle was the stagnation trend in the economy (production stabilized at the level of the closing months of 1982). For this reason, the evolution of the pattern of incomes was then bound to encounter singularly adverse conditions. The battle for a new distribution of incomes was to be fought in an economy running in an idle gear while the tool of the redistribution was the inflationary mechanism, in other words a spiral of wages and prices, reaching a rate of 25 percent per annum. The principles of economic reform introduced at that time imparted to the inflationary process a far more spontaneous and uncontrolled character than would have been possible under the old economic system.

The situation of wage-earners as a socio-occupational group hardly changed in 1983. The growth of real incomes was nearly zero and the disparity in relation to farmers incomes was maintained. However, the differences among wage-earner incomes grew deeper. Already in the first half of the year the coefficient of concentration of incomes rose from 0.188 to 0.208. The degree of concentration should still be regarded as low, which means that the process of redistribution of incomes is far from over.

The factor responsible for the growth of concentration of wage-earners' incomes was the faster growth of the nominal incomes of the 50 percent of people from the highest-income families and the slower growth for 40 percent of the least affluent people. In real terms, this signifies a drop of incomes in the four bottom deciles by several percentage points and a slight growth in the upper half. The growth of concentration therefore takes place along a wide front. This is a variant in which a slight growth of incomes at the top of the ladder results in a big growth of the burden at the lower end. The overall motivational impact of such a move may be negative. In the bottom half, the ground for dissatisfaction is too obvious to be ignored while in the upper half the reasons for satisfaction are too small to be taken into consideration.

This broad partaking of the benefits of the inflationary redistribution of incomes certainly reflects the state of economic awareness of society and the intensity of claims. The instruments of the reform have been adopted without much difficulty to expressing such attitudes. On the other hand, this is also a sign of a structural weakness of the economy. The lack of firm and economically sound economic subsystems makes it difficult to carry out an economically justified reconstruction of the distribution of incomes.

The main characteristics of the current inflationary redistribution of incomes can be perceived in the movement of nominal pay. An especially visible change is the progressively lower pay for university graduates and higher rewards for manual labor. From the point of view of the state budget, this can be characterized as a growing domination of industry and the socialized sector of farming and discrimination against the branches of employment financed by the state budget.

Another feature of the present wage scene is its spontaneous evolution and lack of respect for systemic arrangements. The growth of wages is the result of bargaining, the hunt for privileges and concessions, whereas the economic mechanisms of the reform only play a secondary role. Studies of the National Economy Institute (IGN) demonstrated a negative correlation between the growth of wages on the one hand and the profitability and sold production of an enterprise on the other. It is also estimated that in industry only 25 percent of the total growth of the wage fund is fully consistent with the economic principles. This was only a stream flowing parallel to a wild river of wage increases.

Some color is added to the present wage system by the presence of narrow elitist groups of workers (e.g., miners). This is a dangerous phenomenon because of its indirect effects. The privileges of such groups are of an ostentatious nature, both in view of the amount of wage they earn and of the exceptional character of the privileges as such. These groups are in the forefront of inflationary pressures.

The most recent experience shows that not always does the growth of incomes concentration serve the strengthening of economically sound attitudes of workers. In view of the large number of people in the low-income category, the possibilities of an economically rational income differentiation are still meager. The prolonged weakness of the economy and in particular the spread of bargaining and of the use of economic instruments other than those specified in the system distort the process of changes of wage-earners' incomes. This leads to a strongly antagonistic social structure reflecting the sectoral divisions, often without serious economic justification. It also perpetuates an economy in which shortages coexist with the inflationary gap and neutralize the chances of restoring market equilibrium.

A continuation of the inflation game played so far, in which all those who do not record at least a 25 percent pay growth a year are losers, appears to be neither possible nor recommended. It should be the main aim of an incomes policy to stop the spiraling inflation as fast as possible, especially by eliminating the extraordinary sources of pay growth. This is

indispensable for proceeding to the next objective, i.e., a controlled evolution of the distribution of incomes established in the worst phase of the crisis.

As the sound principles of the new economic system get stronger, it will be increasingly urgent to adjust the crisis-time distribution of incomes to these principles. The strategy binding so far envisaged the opposite sequence: a flexible and spontaneous policy with regard to incomes and wages is supposed to anticipate and stimulate the growth of economic efficiency. The effects of this strategy have been so negative that it should be dropped.

Farmers' Incomes

Private farms are the source of income for 27 percent of Poland's population, including 11 percent peasants and 16 percent part-time workers, part-time peasants. Both groups suffered a drop of their real incomes in 1982 (by 22 percent and 14 percent respectively), but at the same time the years 1981-1983 were a period of improvement in their situation relative to other population groups. The worker/peasants almost caught up with wage-earners as a whole, while peasants became the most affluent socio-occupational group (ZYCIE GOSPODARCZE note: We do not fully share the view, which we have demonstrated on many occasions, e.g., in the panel discussion in ZYCIE GOSPODARCZE 32/1984).

An analysis of the spread of peasant incomes reveals, however, considerable differences among individual households. Many families are at the bottom and many near the top of the incomes league; as a result, the peasant class is overrepresented in the extreme deciles. Although the average peasant incomes were several percent above the national average income, as much as 57 percent of the peasant population did not reach the average wage-earner incomes in 1982. The present incomes and prices policy in farming does not therefore put small and economically weak farms in a privileged position. Compared to the past, the only major change is that the average wage-earner incomes now equal the incomes of some 25 percent of farmers owning between 5 and 10 hectares of land.

The economic effects of the strengthened interpretation of the principle of urban-rural income parity are not encouraging. A stagnation or decline of farm production was observed in the years 1981-1983. Neither is it possible to notice the effects of the economic reconstruction of the private sector of farming. This shows that the possibilities of exerting direct influence on the conditions of farming production are limited and are beyond the scope of influence of income instruments.

The increased flow of money to farmers weakened the motivation to increase farming production. The inflationary overhang, which in the case of farming assumes the form of a "production overhang," has a destructive impact on production attitudes in farming. As the surplus of incomes cannot be spent on the market, farmers may tend to limit production and leave a bigger share of their products for their own consumption.

The present policy of distribution of incomes between the agricultural and nonagricultural population can be defended with the help of social arguments, while the economic arguments in its favor are rather weak. The main method of overcoming the stagnation in farm production should be a quick balancing of the market in the countryside. As the possibilities of increasing supply are limited, this would have to mean a slower growth of farmers' incomes.

Such a strategy would have to provide for a change of the relationship between peasant and wage-earner incomes to the benefit of the latter. The change should not be too profound, though, so that the principle of income parity should not effectively move beyond the limit of 10-hectare farms. This means that farmers' incomes must not evolve independently of the incomes of the urban population. The slowing down of the growth of farmers' incomes should proceed parallel to the slower growth of wage-earners' incomes.

Pensioners' Incomes

Pensioners' households account for almost 15 percent of Poland's population. This group has traditionally placed at the bottom of the incomes table. This was the reason why in 1982 it was most actively protected and suffered the smallest losses as a result. The 15 percent drop of average income only slightly affected the people in the first quartile (a 4 percent drop) and the second quartile (an 11 percent drop). Nevertheless, 45 percent of all pensioners were in the low-income group.

The cushioning preferences of 1982 were of a one-off nature and beginning from 1983 this group again felt the full negative impact of the inflation process. The figures for the first half of 1983 testify to a small drop of real incomes but in the first quartile the drop was bigger than that recorded in the whole of 1982. Already 55 percent of all pensioners were classified in the low-income group then. The ratio of the average pension to average pay has been deteriorating steadily since 1982 while differences among individual pensioner's incomes are growing fast as the people who only retired recently get relatively high amounts of money.

There are many controversies caused by the fact that the nominal expenditure on pensions from the state budget increased dramatically over the last few years. This was the outcome of the reform of prices and incomes in 1982 and of the accumulation of pensions that had to be paid to people who went into early retirement, i.e., pensions that would have to be paid anyway in a few years' time. In both cases, the financial effects of the two operations are fast diminishing.

The discussion over the wisdom of preferences for pensioners is overdue as the preferences no longer exist and the effect of earlier preferences have been consumed already. In practice the freedom of action in the incomes policy only applies to pensions awarded in the past whereas the amount of newly awarded ones does not depend on that policy. Any rigors would therefore affect adversely a group of people whose situation is difficult already now. The lack of a pension indexation system that would offset the effects of inflation puts the people in the 70-75 age group in a particularly

disadvantageous position. Their pensions were awarded before 1982 while their health condition usually prevents them from seeking extra incomes; at the same time, they do not yet qualify for some benefits accorded to the 75-plus group.

The Parallel Circulation of Incomes

Estimates show that the parallel (unofficial) circulation of incomes, after growing in the years 1981-1982, has stabilized at a fairly high level.

This circulation involves at present an amount equal to some 10 percent of the current incomes of the population, which distorts the primary distribution of current incomes and the distribution of savings. A large part of the money in the parallel circulation is strongly dispersed and the net effect of the redistribution is insignificant for a large group of people. Next to that, there is a strong concentration of the incomes recorded by narrow groups of people or the most energetic individuals. For a long time, this phenomenon has been causing deep changes in the distribution of savings and property.

The conditions for the operation of the parallel circulation are provided by the lack of market equilibrium and the broad possibilities of intercepting attractive goods and services by people employed in the state or private sector or people without active employment. The second circulation will be undercut by equilibrium prices on the most important segments of the market and by the elimination of the distribution of goods outside the market channels.

However, if the parallel circulation were to be treated as a symptom of the transfer of economic motivation outside the area of the official economic system, its suppression to insignificant proportions will be extremely difficult until there is a dramatic improvement of the economic situation. High equilibrium prices can only change the terms of competition between the official and the informal circulation but will not eliminate the latter of their own.

The Dilemmas and the Dangers

The incomes distribution policy will be confronted with the necessity of strengthening the motivational role of incomes for the next few years. All attempts to solve it will be accompanied by a strong pressure of the income aspirations of society and a slow pace of removing dysfunctional economic phenomena which nowadays limit the stimulating role of incomes. These include first of all the market disequilibrium, the high rate in inflationary phenomena and a disturbingly big attractiveness of instruments from outside the back of the system.

The sources of the rapid progression of the erosion of the income distribution system in the years 1981-1983 are to be found deep in the determinants of the crisis-time economic situation. The attempts to reform the economy came at a time when there was no economic growth, market equilibrium or

proper economic motivation. The reform, growth, equilibrium and motivation are equally indispensable elements of the healing of the economy and the substitutability of one for the other is exceptionally small.

The fundamental condition for loosening up this vicious circle is the overcoming of the stagnation tendencies in economy. The emerging prospect of a 2-3 percent growth of real incomes for the next few years would offer an indispensable, if very narrow, margin of freedom for a gradual tidying up of the system of incomes and wages.

The most urgent problem at present is to suppress the inflationary spiral of wages and prices. The experience accumulated so far shows that this chase does not bring nearer the prospect of market equilibrium nor does it strengthen economic motivation, but instead it strongly antagonizes individual population groups and shortens the time horizon of production and consumption oriented attitudes. Also the possibilities of further neutralizing the movement of wages by means of a growth of prices.

A radical suppression of the growth of wages is definitely a difficult step to make as it jeopardizes the interests of a fairly large group of people who gain relative benefits from the present inflation game. The move is also difficult because it would rid the Polish reality of the illusion of money which, while failing to provide long-term benefits, conceals the critical state of the economy from a considerable part of society. Finally, the third reason is that such a move would be interpreted as a blow to the principles and ideas of the economic reform. It appears, however, that in a situation where incomes and wages do not play a big motivational role, the currently available reserves of growth of economic efficiency exist at the macroeconomic level and at the level of ties between enterprises. This is the main area where it is now possible to consolidate the principles of the reform.

The tidying up of wages and limits on their growth would create an opportunity for pursuing a long-range policy of attaining equilibrium on smaller segments of the market, including the market catering to farming producers. So far, the pricing policy has been focused on maintaining an acceptable level of general disequilibrium. The improvement of the situation on individual segments of the market must fully reveal the steep steps in consumption. The threshold of availability of many goods is pretty high already at present, although it often does not appear in an open way. Its lowering would be favored by a process of restoring the long-term functions of savings along with the restoration of sectional equilibria.

Even isolated examples of an efficient restoration of balance on narrow markets for individual kinds of consumer durables can produce positive psychological effects in society, spoiling the climate for speculators in general.

The tidying up of distribution is a long and difficult process requiring a constant attention to the conflict of social interests and aspirations--the

conflict which manifests itself in public feelings and conceptions of shortages and material privileges. Beyond doubt, it will not be possible to avoid this conflict in the 1980's. However, the important thing from the point of view of the future is whether the real areas of poverty and privilege will be conducive to social and economic integration or will reflect the disintegrational socioeconomic phenomena instead.

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OFFICIAL URGES LOOSER CONTROLS OVER PRODUCER GOODS ALLOCATION

Warsaw ZYCIE GOSPODARCZE in Polish No 37, 9 Sep 84 pp 1, 10

[Article by Czeslaw Skowronek, director, Institute of Materials Management, Bureau of Materials Management: "Draft CAP 1985: Production Supplies and Efficiency"]

[Text] In its principal line, the proposed draft Central Annual Plan for 1985 complies with the goals defined in the National Socioeconomic Plan (NSEP) for 1983-1985. Against this background, I would like to discuss some problems related to production supplies (including chances for improvement and existing dangers) in connection with the question of efficiency of their use.

It is stated in the draft CAP that the shortage of raw and intermediate materials is a major factor determining production growth in 1985. And one would probably be justified in saying that the level of production, especially in industry, could be several percent higher than initially planned for next year--at the same capacity and employment--if only the supply of raw and intermediate materials were higher. However, for both internal and foreign trade constraints, this is not possible.

It is thus all the more reason why an improvement in meeting production-supply requirements should be directly linked to more efficient utilization of material resources, energy and fuels. As it happens, these two aspects are often viewed separately. Not infrequently, it is said: "You (who?) will give us more materials and we will produce greater output." But the problem should be put the other way around: "From the available amount of materials, we will have to turn out as many useful products as possible." Thus, the more rational utilization of material resources means not only lower production costs and improved efficiency indicators, but it also provides a source of physical growth of production.

Identifying Disproportions and Dangers

It is planned in the draft that the supply of raw and intermediate materials for production purposes is to increase by 2 percent next year compared to 1984 (this concerns the raw and intermediate materials of basic importance for the economy, accounting for some 50 percent of total material-resources

consumption). This is to be accompanied by increases in national income produced by 3.2 percent, sold production by 4.2 percent, and net production by 4.4 percent.

Comparing these indices with each other and assuming that growth in the supply of raw and intermediate materials in industry will be of the same order as in the economy as a whole, it can be calculated that the more efficient utilization of material resources is to account for some 40 percent of national income growth and some 50-55 percent of industrial output increase. The draft CAP is thus consistent with the provisions of the 1983-1985 plan which called for the more efficient utilization of material and energy resources to generate some 50 percent growth in both national income and industrial production.

But a question arises of whether the proposed targets and their pattern are realistic, and whether it is possible to plan greater progress in the field.

An unequivocal answer would be difficult. The problem in its entirety is very complex. There are great differentials both in the degree to which the material requirements are met and in the magnitude of efficiency-growth reserves. The draft CAP provides for a diversified degree of meeting the demand for individual raw and intermediate materials. It will be almost fully satisfied for coal, lignite, electricity, polyvinyl chloride, cement, coniferous timber, chipboard and some other materials. But there will be shortages and tensions as regards coke, liquid and gaseous fuels, metallurgical products and nonferrous metals.

This differentiated supply pattern is going to affect substantially--and often adversely--not only the general production dynamics but also its structure and the degree to which buyers' needs are met. It is thus all the more important that the extent of these disproportions be identified at the earliest possible stage and that relevant measures be taken (on the basis of horizontal links among enterprises) for the purpose of both synchronizing production plans with plans of supplies and taking steps which would curb the existing disproportions (economies in the use of materials resources, their greater output, etc.).

To a large extent, the size of the 1985 supply of basic raw materials, intermediates and fuels is already known. With the exception of some groups, there will be no radical changes compared to 1983-1984. Hence, the major task is to achieve the pace of progress in economic efficiency as inscribed into the government program on resources conservation--which was assumed in the draft CAP 1983 as a fixed datum. Otherwise, the planned production dynamics will turn out unrealistic. It can thus be concluded that the feasibility of the planned production dynamics will hinge on the attainment of economics program targets for the reduction of energy and material content in production.

But dangers should not be overlooked. The desired--and planned--degree of input reduction cannot be achieved all the time through the tapping of simple reserves, which were plentiful in 1983. It is imperative that technological

change, or the principal source of material-resources economies (and of structural changes, for that matter), should be drawn upon much more widely.

Changes in production structure, as a source of reduced energy and material content, are not yet sufficiently studied. Initial analyses indicate that, as a result of various determinants and constraints, the structural changes introduced in 1983-1984 have failed to provide a source of efficiency improvement on a large scale. The pace of restoring the production level of the late 1970's is of course diversified, but in many cases this differentiation affects the level of material-resources consumption in a negative way, with the dynamics of energy- and material-intensive items higher than that of the remaining ones.

Which Instruments?

The launching at enterprises of more intensive and deeper efficiency-boosting measures depends in the first place on the efficacy of the economic tools introduced as part of the reform and on their practical application by economic policymakers. This is a complex problem, and here I would like to focus on some of its aspects.

While opting for the stability of basic economic mechanisms in which enterprises are to operate in 1985, I believe that corrections in some segments will probably prove necessary, and--above all--that these instruments should be applied in our economic practice with consistency.

A key problem in the field of efficiency has to do with selecting the measurement of production, to which the wage funds are linked. An estimated half of all enterprises have still been basing their performance reports in 1984 on a gross-type yardstick in the form of sold production. But it has been many times proven that the linkage between wage-fund growth and gross-type yardsticks leads to excessive consumption of material resources, lower quality (as a result of search for greater quantity which adds to the sales value), irrational widening of coproduction ties, unfavorable product-mix changes (from the angle of material inputs), etc.

The wide-scale recourse to gross measurements as the base for the level of wage funds acts against efficiency and provides a real danger to the targets of the government program on economies. For this to be changed, no alterations in mechanisms are needed, only a consistent implementation of the adopted principles. Hence, the verification of the extent of gross measurements becomes in the 1985 context a matter of great urgency and of key importance for efficiency improvement.

One barrier to higher efficiency--the progressive corporate income tax--has already been removed. But if the income tax is to be actively used as an efficiency-boosting instrument it is necessary that simple procedure be introduced for granting relief and imposing tax-related sanctions. I am against broad application of tax concessions, although I see two key areas where they are both needed and warranted. These are exports, and savings of raw and intermediate materials, fuels and energy.

As I wrote in ZYCIE GOSPODARCZE No 21, 1984, the amount of tax relief granted in 1983 on account of material-resources economies was insignificant--under 1 percent of the sum total of concessions. Since the present arrangements are complicated, with the granting of relief separated in time from the generation of economies, a simple mechanism is thus urgently needed. How do I imagine a better system? For example, it might work as follows:

An enterprise, at annual or semiannual intervals, would present the calculation of material-resources economies to the fiscal chamber. It would be checked according to general principles, just as is the case with the financial result. The verified amount would provide the base for the computation of tax concessions (e.g., equaling 20 percent of material-resources economies) which would be added to profit for distribution immediately. Furthermore, it might be arranged that 30 percent of the amount of tax concessions would be directed to the bonus fund (free from FAZ contributions), and the balance to the development fund.

As for tax sanctions, it should be established that--in step with the growing application of state normative standards for material, fuel and energy consumption--the overstepping of these standards would be treated as warranted costs which add to the income-tax base.

Of great importance for more efficient consumption of material resources are also such elements of the economic mechanism as the systems of motivation and assessment, credit policy instruments, etc. While they require a broader, separate discussion, I would like to focus on several issues.

Enterprises already now have a number of sources on which to draw in rewarding material-resources economies (bonus funds, the profit-financed award fund, the fund for application effects, remuneration for shopfloor improvements and inventions). What is needed is that these opportunities be fully tapped. The now created enterprise motivational systems provide a good occasion for the rewarding of material economies to be accorded due attention.

Much has been written on the subject of prices. From the angle of efficiency, of basic importance here is the pattern of prices, taking into account the quality, use value, and substitutional value of products. In a situation where the basic raw and intermediate materials are charged at official prices, it is imperative that the price pattern be steadily monitored and quickly corrected. As shown by fragmentary studies (e.g., of metallurgical prices), there exist many irregularities needing urgent verification.

In Accordance With the Regulations

The tapping of more complex reserves of efficiency requires that some expenditures be incurred, including capital expenditures. As shown by last year's data the major source of financing economies-oriented undertakings was provided by enterprises' own funds. This is no doubt encouraging, but at the same time points to the necessity of setting in motion credit policy

instruments stimulating savings of materials and energy. A question arises of whether the bank will have sufficient resources to serve this purpose--in a situation where the banking system is overburdened with many other tasks. This is a matter of choice, and economic choices are the domain of economic policy.

The problem of efficient consumption of material resources is often viewed from a single viewpoint of the reduction of unit consumption. This is by far insufficient. More aspects of the problem should be taken into account.

The first one has to do with the adjustment of production to the requirements of buyers (both domestic and foreign) concerning the product mix, quality, and use value. When the produced commodities do not meet these requirements, this is exactly the same waste as the excessive consumption of materials per unit of production.

The second aspect concerns inventories. If economic processes are to go on uninterrupted, production inventories have to be kept. But their level, structure, and the amount of tied-up material and financial resources are not indifferent from the standpoint of efficiency. Excessive and superfluous inventories are identical with irrational consumption in production processes.

The third aspect is closely connected with the preceding one. It is often forgotten that oversized inventories, excessive consumption of materials (including the use of inferior substitutes), underutilization of fixed assets, lower productivity of labor, etc. are often caused by disturbances in the process of production-supplies distribution.

In all these spheres, there exist potential reserves for productivity growth. They could testify to the feasibility of the planned relation between growth in production and in the supply of raw and intermediate materials--provided however that conditions are provided for their full tapping. What are these conditions?

For many subjective reasons, but also partly for objective ones (e.g., the unbalanced market), the goods we produce--in conditions of insufficient supply--are of short lifetime and inferior quality. All this against the obvious economic substitution of quality for [insufficient] quantity. The production of final products of higher quality and increased lifetime has the effect of alleviating the quantitative shortages in supply. For many products (e.g., tires, car batteries, light-bulbs) this substitution is very tangible. Hence the key importance of product quality and lifetime not only for the goal of efficiency but also for equilibrium in the field of production supplies.

In this field, many measures were taken in the nature of inspection, and the motivational edge of some economic mechanisms was sharpened (e.g., prices for goods with high-quality badges can be raised on an income-tax-free basis). Steps were also taken toward introducing product certification, under which unit consumption of materials, fuels and energy becomes a major criterion for giving a go-ahead to a product.

But these measures have yet to produce tangible, positive effects. This is primarily a result of disequilibrium. There is no pressure from the buyers, and consequently from the market. Each product, even of inferior quality, finds a buyer. It may also be noted that the consequences of lower quality are much less painful for the producer than those of underfulfillment of the approved quantitative targets.

This happens in particular at those enterprises where the wage fund is linked to the yardstick of gross sold production. A lower sales level thus results, in a direct way, in a lower wage fund. On the other hand, the consequences of inferior quality--rebates, contractual penalties, etc.--have only partial (or none at all) impact on the wage fund. All this reflects what can be termed an "ideology of quantity." Despite changes in mechanisms, it has yet to be altered--with all its adverse consequences for efficiency.

Will the year 1985 bring about any changes here? Will new arrangements be introduced, changing or at least undermining this long-standing ideology?

Reserves and opportunities for a more realistic pattern of production growth and material supply also exist in the field of inventories. Naturally, this is not true of all groups of raw and intermediate materials. In the groups including small number of low-processed items, the inventories are at a low, often fortnight level, carrying a steady threat of disrupting the continuity of production. The situation is more complex when it comes to groups with numerous, more processed items, consumed by hundreds and thousands of producers.

In conditions of disequilibrium, there emerges a "paradox of inventories," as I call it, under which the less than full satisfaction of the demand for material resources, the existing flaws in the system of production-supplies distribution, and the drawbacks in the financial system are accompanied by a clear tendency toward excessive level of inventories.

At the end of last year, the inventories of hot-rolled products stood at 2,240,000 tons, representing the equivalent of 83 days' consumption. This highest ever level compares with 60-65 days' consumption in the 1960's and 1970's. As shown by various calculations and studies (e.g., by Centrostal), these inventories could well be cut by some 500,000 tons, without threatening the continuity of production. The figure is equivalent to 5 percent annual consumption of hot-rolled products in the national economy. If tapped, this reserve would generate an additional, one-shot increase in the production of these goods by 5 percent, thus boosting their supply by 7 percent, rather than 2 percent as provided in the central plan. Bearing this in mind, one should take a fresh look at the planned dynamics of, say, machinery industry output (6 percent). Naturally, the authors of the proposed draft plan have a right to treat this as a potential reserve, but it is about time for some measures to be taken to tap this reserve.

Similar developments can be seen in other product groups. Socialized enterprises' inventories of steel pipes represented an equivalent of 180 days' consumption, short-supply aluminum products (pressed and rolled) 170 days, and chipboard 106 days. More examples could be adduced.

All this could be a result of many factors, including the uncertainty of supplies, errors in the organization of production-supplies distribution, absence of economic pressure for keeping inventories at rational levels, etc. It would thus be correct to stress the importance of the effectiveness of production-supplies distribution which exerts multi-pronged influence upon the efficiency of the economy and the extent of meeting the material-resources requirements.

Under the existing conditions the principal importance is attached to horizontal links management, i.e., to be developed on a contractual basis, the target being the attainment of the target for producer goods. The attainment of this target will be the more complete the more the target is complete. But are we not overcautious in the search for additional visible forms of production-supply distribution?

The scope of material-resources rationing is still substantial, affecting most of all of all production supplies. And each instance of rationing and restriction of the application of material resources--along with serving the implementation of some socioeconomic goals which are considered to be desirable. It brings about adverse side-effects, adversely affecting the field of economic efficiency. And again, whether this is a matter of economic policy, and if so when, is a matter for economic policy.

The rationing described of production supplies, now taking the form of administrative distribution, has as its main goal the meeting of material-resources requirements for priority goals. Yet this form of controlling the efficiency of material-resources in the economy fails to bring about the expected results--lower stocks of inventories. The final effect is thus lower stocks of inventories, while the high price remains the same. This shows the need for a further assessment of the effectiveness and economic rationale of a system of rationing, and, on this basis, for major reduction of this system.

Let us not forget that the high level of inventories in some product groups could actually be a result of restrictions on production-supplies distribution and its inefficient forms, which in effect generate artificial demand. The reduction of material-distribution restrictions may become a useful device, by means of reducing the buyers' demand for material resources. This may be a controversial opinion, but it seems that only such a line of evolution of the production-supplies distribution system can be considered rational. The maintenance of widespread restrictions and rationing, under the banner of rational consumption, actually provides conditions for irrational consumption, and sometimes outright waste.

In the light of this discussion, a not-so-new opinion can be formulated that the satisfaction of the economy's material requirements should be closely related to the efficiency of material-resources management. There is a feedback with regard to efficiency--additional supply of raw and intermediate goods--alleviation of production--alleviation of production-supply imbalance in the economy. By means of rational consumption of raw and intermediate goods, the economy can ensure the improved availability of production supplies. In all these respects, all kinds of possible measures--including technological--should be undertaken. But will they?

AUTONOMOUS FACTORY PAYROLL SYSTEMS GET MIXED REVIEWS

Warsaw ZYCIE GOSPODARCZE in Polish No 37, 9 Sep 84 p 5

[Article by Irena Dryll: "Doomed to the Law on Enterprise Wage Systems"]

[Excerpts] A ranking ministry official in charge of the wage department asked a factory manager, just what was so new about the factory's newly introduced wage system. "It now provides for an extra bonus," said the manager. "But there was a bonus before, wasn't there?" "There was, but it didn't motivate the workforce," the manager is said to have replied.

While this story may not be true, it does sound bizarre. And, it is also significant, because wage systems are so sensitive a topic that it has become overgrown with gossip, jokes and myths. As Deputy Minister of Labor, Wages and Social Affairs Janusz Pawlowski has told me, "There are more things in enterprises than are dreamt of in your philosophy."

If you consider what an enterprise could do in this respect before the reform and what it can do now, you will see there is little exaggeration in what Pawlowski said. The reform endowed enterprises with a broad measure of independence in creating resources for the remuneration of employees, abolishing the previous limitation of wage funds or what was called bank-supervised corrections of wage funds. While the rules for FAZ [Labor Redeployment Fund] contributions resemble a leash by which the government effectively restrains wage funds of enterprises, the leash has of late been undeniably longer, which made enterprises do a lot of thinking about what would be the best wage systems for themselves. This began in mid-1982, when by its executive order No 135 the Council of Ministers allowed for some more flexibility in establishing wage-scale brackets or job-grading rules, and further expanded last January when the Sejm passed the law on rules for creating factory wage systems.

Still before the law was passed, several enterprises had begun what was called a "wage experiment" and which involved the testing in practice of their own wage systems. Their experiences proved very useful in work on the wage-system bill which--apart from all objections that can be made to it--does mark the onset of an "evolutionary revolution" in the area of employee compensation.

The Right To Pronounce Laws

Writes Pawlowski in PRZEGLAD ORGANIZACJI (No 6/84), "Owing to the 26 January 1984 law enterprises are for the first time ever authorized to institute their wage systems into laws, i.e., they have a right to strike collective wage deals at the factory level. This is the basic meaning of factory wage systems. Without mounting any specific legal obstacles, but under definite economic limitations, the law on factory wage systems provides for rewarding labor in reference to the price of labor determined by three different criteria. First, there are qualifications; job-grading and factory wage scales may be helpful in pay differentiation. Second, there are work conditions in the broad sense, i.e., health-affecting, difficult or dangerous conditions, work during night hours, in continuous production processes, in enforced shift patterns, monotonous and strenuous manual jobs, work overtime. The law sets no upper limit for remunerating employees for these kinds of hard work conditions so that any enterprise is free to evaluate and decide the worth of such a job. The third criterion is the specific economic effect achieved by the individual employee. The enterprise alone decides whether it is going to pay for this in the form of piece-work, in a lump sum for piece-work, as a job-fixed bonus or as a commission. Whatever specific form of pay the enterprise picks should ensure effective motivation of employees to better work."

The circumstances that enterprises have now "gained" the right to pronounce what is the law in the domain of wages is hard to overrate, if you consider that only a short time ago employees had no influence at all on labor rewarding rules. The now 10-year-old labor code, which is still in force (although in a curtailed form), strongly diminished the significance of collective settlements. In Article 79, it says, "Rules for labor compensation and for other labor-linked payments are defined by the Council of Ministers after consultation with the (now defunct) Central Board of Trade Unions." Now, the setting of these rules has been moved "downward," i.e., to enterprises and truly into production halls. It should be recalled that the law on wage systems (which an enterprise may, but does not have to, resort to) authorizes the creation of factory systems even if this involves the disregard of some provisions from collective wage agreements or from the labor code. These provisions may be replaced by those worked out and negotiated in the factory concerned. A new wage system can be introduced on the ground of an agreement signed by the trade union and the enterprise director after consulting the employee self-management body and getting endorsement from a plenipotentiary of employees (or their delegates). So, it is a kind of a social contract between the workforce and the management.

The agreement takes effect when it is approved by the founding body and endorsed by the Labor Ministry. The agreement is considered by both the former and the latter for its compliance with the law, especially for fulfilling certain economic and legal requirements. If these latter are fulfilled, neither the founding body nor the ministry can do anything but approve the agreement. Whatever reservations one may have regarding the "fulfillment" of conditions of such agreements (which I will return to in a moment) or the results of their implementation, the law on wage systems seems

to have set off the very significant process of socializing the wage system in Poland.

The course and effects of this process differ from place to place. This was pointed out at the 22 August press conference at the Labor Ministry by representatives of several enterprises which had passed--or were about to pass--through "the eye of the needle" in getting their wage systems registered. That conference was a first ever public presentation of factory wage systems, a kind of a "wage systems show."

Polish Television recorded everything; without cuts, the enterprise directors did their best to flaunt "their" systems in their nicest aspects, union representatives caused some confusion while pointing at certain drawbacks in the idea itself, while the minister managed to stay poker-faced to the very end--for a full 4 hours. As he put it, the basic thing is that the factory wage systems should help check the soaring wage increase rates.

That conference, which was so interesting probably because it was so unusual, was covered by the daily press. Instead of a report let me therefore make a few remarks and comments on the matter.

The first question is, who, and why, resolved to "venture" into the law on wage systems?

A total of 222 factory wage settlements were registered by 16 August 1984. They were concluded in enterprises giving jobs to some 800,000 persons. On the day of the press conference, there were already (or, if you prefer, only) 240 such deals. Most of them were concluded in enterprises subordinate to the ministries of construction, the chemical and light industries, metallurgy and engineering industries. In their geographic pattern, that is, by the distribution of seats of the enterprises, most wage agreements were concluded in the voivodships of Poznan (24), Katowice (23), Warsaw, Gdansk (15), Cracow and Lodz (14 each), Bydgoszcz and Olsztyn (11 each). Not a single enterprise registered its wage system in 11 voivodships, including those of Legnica, Tarnobrzeg and Wloclawek. Registration takes generally a month or so, and occasionally--according to the Labor Ministry--a week or two. "This we owe largely to the dedication of the Labor Ministry staffs," you can read in materials supplied to reporters, "who often devote their off-duty time to verify and consult draft agreements supplied by enterprises to the ministry." Practically, the few ladies and gentlemen working in a couple of sixth-floor rooms at the Labor Ministry building have a hard time trying to explain details to scores of wage specialists from enterprises day by day. This is easier done face-to-face, especially since telephone connections are only by extension and always busy. For the time being, this system is working more or less well, but what is going to happen if enterprise representatives start arriving for information in greater numbers?

In all, 7,600 enterprises--and, if cooperatives and other eligible organizations are also counted, some 10,000 bodies--are entitled to avail themselves of the law's authorization to create factory wage systems.

But Will They?

Dr. Edzislav Czajka of the ministry-sponsored Institute for Labor and Welfare Problems told me he thought they would, eventually. The enterprises concerned have actually no choice, because unless they do what the law authorizes them to do they will have to abide in their wage policies by previous regulations, i.e., executive order No 135/82 or (for building firms) No 60/82. The problem is that the possibilities these regulations furnished were exhausted a long time ago. Many employees have hit the upper bracket of Zl 140 hourly wage in their job categories and have no possibility of getting further hikes. While bonuses may yet go up, employees are known to prefer basic pay increases to bonus increases. It is therefore possible that employees may begin to press for new wage systems solely in order to get higher wages. But this may distort the law's underlying idea.

From what was said at the conference, enterprises are virtually "doomed to the wage system law." The workforce is pressed by inflation, so it puts pressure upon the management, which then resorts to the law as the only way of getting the stiff wage rates to move. The law authorizes enterprises to use their own base pay rates. This authorization, which is generally regarded as the most important decision in decentralizing wage policies, is precisely what "dooms" the enterprises to the wage system law.

Let Them Make Mistakes

To judge from the ministry's analysis of the first several dozen agreements, this authorization is hardly ever abused. Hourly wage rates for worker jobs are between Zl 30 and Zl 120, and for other jobs pay is established on a monthly basis ranging from Zl 5,400 through to Zl 21,000 and even Zl 30,000.

Is this Zl 120 a genuine free rate established by the enterprise, or is it a "free-but-compulsory" rate (for this is what the ministries generally regard as optimal ceilings)? The answer is anything but easy. Wage specialists from different ministries agree at least on one point--namely that if an enterprise fights for a higher wage rate then only in the hope that this higher wage will be a lure to job-seekers.

I have heard of the following case. A director of a Lodz factory argued for an hourly wage of Zl 250. "You, a director, will get Zl 24,000, while your worker will get Zl 250 for the hour, or more than Zl 40,000 a month?" a wage specialist from the ministry asked the director. And, "If you're going to pay less than that, what's the point of making your people furious? Do you hope to attract new people?" Well, he succeeded in persuading the director that an hourly wage of Zl 110 will do. I am not sure this success should be hailed.

The law in question sets no upper limit for hourly wage rates. So maybe enterprises should be given a chance to make mistakes? Raising the wage rate was only one of the operations discussed during the conference. The reconstruction of factory wage systems begins with wage rates but does not end with them.

Statements by enterprise directors and analyses of the first wage settlements seem to vindicate the following conclusions:

--The role and importance of base pay is rising, as are those of extra pay for work during night hours, during second shifts, or under difficult conditions--at the expense of abolishing various supplements and extra payments not related to work effects.

--The relative significance of fringe benefits (such as allowances in kind, long-service bonuses, jubilee awards, farewell money upon retirement, etc.) are falling because minimum wage rates are taken as the base for determining these benefits.

--The relative proportions of pay depending on qualifications are changing, while individual pay is differentiating in strong dependence on actual employee labor inputs.

--The system of bonuses is being rebuilt with a view to linking bonuses closely to the enterprise's current production goals.

--Conditions are arising for adequate job standardization.

Says an economics director of a Katowice repair company in the metallurgical industry, "It is high time to do something about job standards. Time standards for individual operations have gradually transformed into remuneration standards. If a given operation took, say, 8 hours, you allowed for 2 more hours to let the worker earn his money. The new system makes it possible for a standard to be a genuine technically justifiable standard."

But, one may ask at this point, just what has been the beneficial effect of all that? All directors agreed that the loud talk about the wage problem had produced effects. "The effects are remarkable, first experiences encouraging," said the labor minister in his recapitulation.

Most representatives of enterprises pointed at productivity rises, stalling employment decreases, and better use of working hours.

"For a first time since 1979 we managed to staff the drop in the employment of loading workers. Productivity as measured by tons per hour has gone up remarkably," said Zbigniew Zielenkiewicz, personnel manager at the Szczecin-Swinoujscie harbor.

"We put several million zloty into this undertaking, which paid off very well. Employment increased by 10-odd percent, productivity by 12 percent, and wages by 8 percent," said director Lech from the Kielce company Stolbud.

"Since the new system was introduced, productivity has gone up by more than 24 percent while employment fell to 92.8 percent," said director Stanislaw Dworczyk from the Strzelczyk Grinder Factory in Lodz.

"The falling employment rate could be stalled, working time is used better than before, and our performance puts our enterprise at the top of the entire industry. I'm simply amazed," said Bronislaw Jurkiewicz of a construction carpentry works in Wolomin.

But union representatives were more skeptical.

"The wage system experiment produces short-lived effects which hold out for only a few months," said a union representative from the Warsaw Unitra-Cemi electronics works. "Unless technical progress does the trick, the system itself will produce nothing. At our factory, for example, the system has failed to liquidate wage disproportions between employees in the production department and research personnel. As before, there is no way of paying good money to a bright engineer who churns out good technical ideas, unless he holds a managerial post. But when he becomes a manager he usually stops being a good engineer."

Mariola Zieba, who heads the trade union at a Lodz-based grinder factory, admitted that the new system produced some beneficial effects yet pointed out, "There is no special reason to get excited. Mean pay for engineers and technicians now is only Zl 15,500, and Zl 18,000 on a piece-work basis, but then there is an appalling shortage of materials; tools and machines are ramshackle, spare parts are in very short supply, and investment is at a very low rate. You can't keep wage systems isolated from the general situation in an enterprise."

Deputy Labor Minister Pawlowski admitted that: "Wage systems are an important tool, but not the only one."

Director Jerzy Kolankowski of the Bydgoszcz Unitra-Celma electronics works said, "The wage system must not be regarded as a remedy for all ailments."

Exactly. You cannot isolate wages from the total body of an enterprise's social system and expect it to produce significant effects. In his 1984 book on systems of incentives in socialist economy, Henryk Bak writes, "Setting clear and estimable tasks and requirements attached to any specific job along with accurately defined remuneration linked to each such task and requirement will not suffice to make pay automatically an incentive for good work. Many other conditions must be fulfilled, including such that directly affect the wage system (internal conditions at the enterprise) and a number of external factors such as the system's accordance with the system of nonfinancial incentives, its ability to operate efficiently, an adequate supply system, proper organization of the control and executive systems, the measure of instrumentality of wage with regard to various needs, above all to material needs."

It's a System for Excellers

A third remark about the new system concerns the "philosophy" of wage agreements. Unquestionably, factory wage systems have the advantage of transforming internal factory wage structures in such a way as to permit a better

rewarding of productivity rises. If you want to earn more, produce more. However, many factory systems are built in such a manner that best possibilities for earning will go to those who are "best" and do everything "best"--those who have the best health, the strongest, the most dexterous and skillful, those burning to take to work and to nothing else, those with the lowest family responsibilities, and the most ruthless ones. The latter disposition may be useful, for example, in ensuring work possibilities for themselves, which will subsequently enable them to skim bonuses for surpassing work standards, for keeping quality standards, for output quantity, for minimal absenteeism, etc. But, how many such people do exist in an enterprise? A few percent, maybe a dozen or so. Even if you ignore other considerations and look at the productivity factor alone, you will see that such a relatively small group cannot ensure high enough productivity levels. What does determine a factory's overall productivity level is the majority, which is of average health, average dexterity, and average productivity.

An employee works in a group, so group standards have a significant influence on his attitude and behavior. As a rule, he will seek to earn more, but not despite his group or against it. Many sociological studies indicate that productivity depends ultimately on the attitude of a worker group and not on that of an isolated individual. So, while rewarding the best you must never lose sight of mechanisms that may set into motion that "middle," or the majority.

In particular, bonuses for turning up at workplaces, those antiabsenteeism bonuses, seem to be based on a misconception. Dr Piotr Krasucki, a specialist in industrial medicine, told a Polish Academy of Sciences conference last April, "Stopgap effects are easy to achieve. However, there is no way of dodging the laws of biology. In return for bringing down absenteeism we will have to face rising disability indices or even rising mortality rates in the population at working age. All you have to do is to put stronger stress on financial incentives for refraining from getting medical treatment, and you will see people coming less to work than to show up at their workplaces in violation of their biological potential. Statistically, then, everything will be fine, because a sudden death will cause not a single day of absence at work."

Incidentally, studies have shown that antiabsenteeism bonuses are effective for half a year or so, but thereafter absenteeism returns to normal or rises even further.

Factory wage systems have the unquestionable advantage of decentralizing--in a way--the system of bonuses and rewards. It is fine that a foreman or manager has a definite amount of money for distribution among his men. But only under the provision that he is a good manager or foreman, the right man at the right place. Otherwise bonuses become sources of conflict and tension in the given work group, an instrument for forcing men into obedience and for hiding each other's mistakes. Bonuses must not be dependent on a manager's arbitrary whim, which happens all too often. Professor Jan Kordaszewski described this arbitrariness in bonus granting as "high-handed form of remuneration."

Another significant advantage of factory wage systems is that they keep wage demands down to the level of enterprise director. However, under certain circumstances even this advantage may fail to materialize. If the director can persuade the workforce that the fact that he has no money to spend is not his own fault--showing that the factory's profit was devoured, say, by the FAZ contribution and corporate taxes--then wage demands are certain to climb higher up the ladder of management. This is an especially likely situation because, as director Dworczyk of the Strzelczyk factory described it, "There is no uniform system of treating enterprises. I have no guarantee that my neighbor will not be granted allowances or preferential terms which would affect the system. Moreover, there is wide uncertainty about the future of FAZ contributions. Last year we paid Zl 10 million; for this year we estimated we would have to pay Zl 3.5 million. But because the method of estimation was changed we will have to pay Zl 30.5 million." Because of this uncertainty, Strzelczyk prefers not to register their wage system.

Factory wage systems, then, can be seen to require a settlement between the "top" and the "bottom" about the rules of the game in the future.

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GENERAL FEATURES OF AGRICULTURE COMPARED WITH OTHER COUNTRIES

Warsaw LAD in Polish No 37, 16 Sep 84 p 1

[Article by Jan Nakonieczny and Karol Wojtaszczyk]

[Text] Every human being has a natural instinct to improve or at least to stabilize his living conditions. Poles have this instinct, too. It is manifested by soliciting for one's own apartment adjusted to man's biological needs, protein-rich food, a well-paid job or queuing for decent goods in spite of the risk that there won't be enough for everyone. That is why economic management or theorizing contrary to the laws of nature and man's natural instinct to improve his family's standard of living is doomed to failure--it is a mistake!

Assuming this, one cannot expect the peasant, contrary to human nature, to work more in the face of declining living standards and worsening working conditions caused by rising prices for supply products and the failure of official purchase prices for farm produce to keep up with the increasing costs of production. Why should a peasant rack his brains and sweat his guts out if greater effort only causes deterioration in his family's living conditions? And after all, every human effort has its limits. Going beyond these limits with no prospect of swift improvement causes apathy and despondency, which make improvement impossible. People in the countryside lose their attachment to the land, which used to be their nursing mother, but now is a bad step-mother who compels them to do excessive work, paid less than a job in town. Hence the rebellious young, productive-age people's attempts to free themselves from that "attachment to the land" and their escape to town and industry. In the last year alone, 142,700 people ran away from the rural El Dorado. In previous years, migration was even larger. At present, it has been checked slightly by the housing shortage in towns.

Do Poles Have the Ability?

History has shown that Poles are people who like no other in the world can work wonders, and not just at Vienna, Samosierra or Monte Cassino, but also reviving Warsaw from rubble, reconstructing the economy and developing industry from enormous war devastation without the substantial economic assistance available to Western Europe, which was not so heavily destroyed.

Yet, Poles are unable to reconcile themselves to the poor prospects of their effort! Achievements stimulate Poles to work. When they feel satisfied, they work as if in a trance, but if discouraged, they're incompetent and indifferent. Poland is doomed either to success or stagnation.

Success in farming means catching up with Europe which harvests 50 percent or even 100 percent more from 1 hectare, although European farmers do not work as hard or as long as the Polish peasant. We should begin by finding the reasons for Polish agriculture's lower productivity. We should also determine the extent to which this lower productivity affects the faulty structure of food consumption in Poland. It is hardly pleasing to know that Poland occupies first place in per capita potato consumption (159 kg in 1982) in the world, and last in fruit consumption (42.8 kg). Poland's per capita consumption of cereals is 124 kg. Such countries as Yugoslavia (169 kg of cereals and 59 kg of potatoes), Bulgaria (159 kg of cereals and 31 kg of potatoes), the Soviet Union (138 kg of cereals and 105 kg of potatoes) and Italy (134 kg of cereals and 38 kg of potatoes) are a cut above us, but these countries' populations eat considerably less potatoes. The modern homo sedentarius (sitting man) uses up less energy and requires less caloric food but with a larger protein content. Meanwhile, we in Poland eat absurdly large quantities of carbohydrates, which is conducive to excessive obesity, cardiac infarction, diabetes and arteriosclerosis. At the same time we do not consume enough proteins and vitamins. Also, the structure of Polish consumption has steadily deteriorated. 1982, meat consumption fell to 58.5 kg; fish, to 6 kg; milk, 247 kg; and eggs, to 2,000 per person a year.

The Need To Rationalize Production

Is Polish farming unable to ensure us a more rational food selection? While economic theories have evolved, the citizens' standard of living depends on efficient performance by the economy. In a nutshell, if we want to eat better, Polish agriculture must produce more, more cheaply and more rationally the most useful items for improving the population's nutrition and the most profitable items given Poland's circumstances. Meanwhile, both present Polish practice and long-term plans for Polish agriculture differ astonishingly from growth trends in other European countries, which in similar climatic and soil conditions have higher yields per hectare. World agriculture tends to rationalize production. Rationalization involves, above all, new methods of organizing and planning farm production; advocating more effective plant or animal production for the given conditions, and abandoning extensive kinds of production.

In Europe, for example, rye production was abandoned years ago for the sake of wheat, which has better yields and is more nutritious. Despite substantial increases in world cereal production, including rye yield per hectare, in 1970-82, production of the latter declined from 27,700,000 tons to 27,200,000 tons. In the same period, world wheat production increased from 318,600,000 tons to 466,900,000 tons. Meanwhile in Poland, which for years has "boasted" of its second place in rye production (after the Soviet Union), production increased from 7,679,000 tons in 1971-75 to 8,760,000 tons in 1983

(32 percent of world output). Wheat crops, however, declined from 5,605,000 tons to 5,166,000 tons. A similar decrease in wheat production occurred only in Romania, which has also introduced food rationing. Needless to say, this happened not because of the decline in wheat production; however, this phenomenon illustrates the increasingly extensive methods of farming in these two countries.

Study Your Own Land

Before we discuss cereal production in detail, we will first floor the many agricultural scientists who claim that the greater part of the land in Poland is not fit for wheat production. There are peasant farms yielding 30 quintals of wheat per hectare even on class IVb soil (on a scale from I to VI; the first grade is the best). The same hectares, if sown with rye, yield up to 35 quintals of grain. According to the scientists, 4[9.0] percent of the Polish soils, ranging from class I-IVa, and 16.8 percent of class IVb soils are fit for growing wheat. Meanwhile, the acreage under wheat in Poland declined from 1,985,000 hectares in 1970 to 1,456,000 hectares in 1982, 20.6 percent of the acreage under grain and 10 percent of all cultivated lands! In European agriculture, wheat usually occupies over 35 percent of the arable land, competing only with barley, whereas production of rye and oats, the most popular in Poland, is only marginal.

The situation is similar for potatoes, of which Poles are the world's second largest producer. In 1970-82, world potato production declined from 312,100,000 tons to 265,800,000 tons, presumably because of this plant's almost cyclical crop failures and labor-intensity; potatoes require greater effort than other crops. In the majority of countries, potatoes are treated as vegetables and consumed in moderate quantities. Countries richer than Poland find it unprofitable to feed pigs with potatoes. Besides, Polish potato yields have been deteriorating: from 177 quintals per hectare in 1971-80, to 147 quintals per hectare in 1982; in 1983 potatoes yielded 135 quintals per hectare, which was one of Europe's poorest yields. Last year, the Swiss gathered 426 quintals from 1 hectare, the Dutch 388, the Britons 323, the Americans 305, the French 298, the West Germans 279 and the northernmost Norwegians 227. One of the main reasons for our poor agricultural productivity is to a considerable extent the Polish emphasis on rye that produces poorer yields than other crops, and on unproductive potatoes, which together occupy the major part of Poland's arable area (3,273,000 hectares under rye and 2,178,000 hectares under potatoes). Below we will try to prove our point.

In animal breeding, too, there are patterns apparent in world agriculture. Let us discuss them in terms of meat production. In 1982, world meat production amounted to 157,550,000 tons of which 60,690,000 tons were pork (38.5 percent), 46,740,000 tons were beef (29.7 percent), and 29,520,000 tons were poultry (18.7 percent). Poultry breeding is most common in warm countries, where it is easy to obtain high milk yields, one of the main poultry feeds. Beef production, requiring large grazing areas, is popular in sparsely populated countries, where there is more than 1 hectare of arable land per inhabitant, such as Argentina, Australia, Brazil, Canada,

New Zealand, the Soviet Union, and the United States. In densely populated European countries and in China, pork production prevails. Cattle breeding on the prairie or steppe is relatively cheap and effective; however, it requires large arable lands; its productivity per hectare is low. Densely populated countries, which do not have proper grazing lands, cannot afford to promote beef production, and it is just a by-product that uses the bulk feed of no use to pigs. These countries produce pork. This is more expensive, because it involves greater inputs: buildings, servicing, appropriate protein fodder, but it gives better yields per hectare. Simply speaking, you can obtain around 300 kg of beef (meat yield of 52 percent) from 400-600 kg of young men for slaughter, or 640-800 kg of pork (meat yield of about 80 percent) from 800-1,000 kg of pigs for slaughter from 1 hectare of arable land. Moreover, pork is very popular with Poles. In this situation, it is amazing that the authorities in Poland have for years encouraged cattle breeding at the expense of pigs, which can only lead to declining productivity of meat per hectare, when Poles have neither land nor meat in abundance. The official trend was apparent in the 1 July increase in prices for slaughter animals: 30 zloty for cattle and a mere 13 zloty (which is not enough) for porkers. The new prices will, in effect, even further limit the production of the more effective pork.

Similar "regularities," contrary to the world trend toward rationalization of agricultural production, appear in nearly every field of Polish agriculture. Small wonder that Professor Borlaug, Nobel Prize winner and famous breeder of high-yield wheat varieties, who visited Poland on behalf of FAO, called Polish farming an agriculture of unused possibilities and was surprised that with such a huge agricultural sector we had introduced food rationing. One of the FAO experts accompanying Borlaug jokingly said that Polish agricultural organization and planning betray masochistic inclinations--the producers have tormented themselves.

Looking for Culprits

When recently the authorities noticed that Polish agriculture lags behind that of neighboring countries, they began to look not for this phenomenon's real causes but for a scapegoat. Statements by Dr Podkaminer and other "experts" and the resolution by the Sejm's Advisory Council provided drastic examples of this pattern. They try to blame the low productivity compared with the rest of Europe either on the peasants in general or the small size of the peasant farms, which are usually no bigger than 5 hectares. Yet, the farm statistics do not corroborate these "expert" assessments. The large state farms occupy 24 percent of the Polish arable land and receive nearly 45 percent (according to Professor Bozyk, 65 percent in 1973) of the material inputs into the entire agricultural sector, produced a mere 15.8 percent of the whole 1982 net agricultural production. In the same year, the small peasant farms, using much less material inputs but cultivating nearly 76 percent of the arable land yielded 77.4 percent of grain, 82.7 percent of sugar beets and 87 percent of potatoes and vegetables, which proves they are more productive than the large farms.

For example, Polish fertilizer production in 1981 was 1.5 million tons, or 1.5 times the 1960 output. General Hapilow, Chief of the State Inspection (NIK), told the Sejm that in 1981 this production had increased about 40 percent. As the peasants see it, the production of all types of phosphatic fertilizers is still declining. In these areas, general application of fertilizers declined from 122.1 kg/ha in 1960 to 112.1 kg/ha in 1981, an economic year to 137.8 kg/hectare in 1982/83; in the western farms, it increased from 262.8 kg/hectare to 274.7 kg/hectare.

As a side note, we wish to observe that our working people, who are among the world's highest standards of fertilization, are also the most careful. However, that the proportion of nitrogen in each group of fertilizers is much smaller than in Poland. If the same amount of nitrogen is applied and excessively absorbed by plants, then it can cause problems for people and animals (tetany). For the same reason, the East Germans use 328.5 kg of NPK, including 72 percent nitrogen, the West Germans 275 kg, including 44 percent of nitrogen, the Danes 235 kg, including 38 percent nitrogen, the West Germans 235 kg, including 42.3 percent nitrogen, the Danes 312 kg, including 40 percent nitrogen, the French 176.7 kg, including 61 percent nitrogen, the West Germans 176.7 kg, including 48 percent nitrogen, while the Polish private farms use 176.7 kg of NPK, including 43 percent nitrogen and the state farms use 176.7 kg, including 32.7 percent nitrogen. This shows that in Europe, where the standards are concerned, only the Dutch and Japanese use more than Polish large commercial farms, and even they use less the same amounts. However, in this matter, the Polish farms are not anomalies which do not increase productivity.

In comparison with European and world practice, the Polish farms are either too much potassium or too little nitrogen. Potassium, which competes with magnesium, which is a very important element in soils anyway, can adversely affect yields. Nitrogen, which is the most effective component in fertilizers, is used in the NPK dose used by Polish state farms in the same amount as in intensive farming countries. It is lower than in the West, where there are more although they were often than not used to use more potassium, phosphorus, potassium).

Polish peasants, although they usually lack modern machinery, are rich in experience, and although they are often small and cooperative farms--and were often in the past--they are not only else in the world area. Polish state farms, which are large and employ farming engineers and fertilization specialists, are not only the PCR (state farm) specialists for world fertilization. They are not only partly equipped, modernized peasants who are not only not only produce much more than the state sector. They are not only not only work quite differently and have much greater experience. They are not only used to complain about administrative problems, but they are not only or immaturity, even harmful investments, and they are not only

been abandoned. Perhaps this is only a matter of habit or ignorance of economic calculus?

We have cited here several bad examples in order to cause a stir, to suggest an idea that the distinct features of Polish agriculture do not bring in a profit! In subsequent articles, we will try to search systematically for the causes of the poor productivity of Polish agriculture. There are many such causes! To be vulgar, you can say that the shortcomings of Polish agriculture or, more generally, the food complex, are 30 percent due to bad production organization; 30 percent due to the 24 scientific agricultural institutes or central laboratories, to say nothing of their branches and volyodship centers for agricultural progress (WOPRa)--perhaps Poland occupies first place in Europe in this sphere?--and the 7,500 scientific workers in the agricultural sector who experiment on 300,000 hectares of land; 30 percent due to insufficient industrial supplies to agriculture; and 10 percent due to the incompetence of certain food processing industries and the shortcomings of the storage system, especially during catastrophic bumper harvests. All in all, the majority of these causes, with the exception of those caused by the inefficiency of Polish industry, are organizational and can be eliminated without substantial material outlays. That is why we are optimists.

Disheartening Records

Otherwise, there wouldn't be any point in stirring up this ant hill. Outwardly, Polish farming is in much better condition than the rest of the economy: we hold first place in world potato consumption, and Poles like potatoes. This is one of the very few first places Poland holds in the world economy. As far as second place is concerned, we have fared much better! There is enough food to meet the food coupons, although due to Poles' increasing appetites, the queues have been growing. Total agricultural output, compared with 1980 (not the best year), rose to 104.5 percent in 1982. (For PGR's it was 99.7 percent; for cooperative farms it declined even further to 75.8 percent; whereas in 1983, for private peasant farms it went up further to 108.2 percent.)

The ZGR's (socialized farms of agricultural circles) have the most astonishing "achievements," because they have so-called "negative production," which means that they consume more farm produce than they yield (this must also be a world record).

While private farms were "breaking records," industrial output went down by nearly 20 percent. Despite these "successes," compared with the swift development of world agriculture, stagnation or even small steps backward are tantamount to losing the chance to catch up with Europe and, above all, to improve the nation's nutrition, especially when every year there are more citizens in Poland and less arable land. We are doomed to raising the efficiency of Polish agriculture, to success in agriculture. This, however, cannot be achieved without inquiries and exposing the seven cardinal sins of Polish agriculture. To be sure, someone will feel offended and, worse, would even like to teach us a lesson (as the Chinese have done), but we are not asking for forgiveness! We are asking for effective measures for the

sake of agriculture. Organizational reserves available for improving agriculture are enormous. We shall try to demonstrate in one of our next articles that reorganizing seed production alone, without any significant material inputs, can contribute a 3.5 million ton increase in grain production, which is what we currently wish to import, although we are short of cash.

Factors Determining Nutrition

We shall try to discuss these from the point of view of rationalization, looking for reserves to increase production and the efficiency of agriculture and the entire food complex. Our ambitious tasks compel us to abandon long-established schemas; they also make us feel bitterly sarcastic, because the peasants are wild with rage when it turns out that actually there is very little preventing improvement of our huge agricultural sector.

Food production involves the yearly renewal of agricultural production, reproduction as the economists call it. This involves two processes: 1) reproduction of agricultural produce and 2) reproduction of productive agents. There are three factors of production, and we will start our "peasant report" on the state of Polish agriculture and the entire food complex with them. However, there are many more factors determining the population's nutritional standards. To make our discussion clearer and to make it easier to draw conclusions, we will divide these factors into:

--Material factors, which depend on material reserves and outlays for the mobilization of production reserves.

a. Agricultural productive agents: 1) land reserves, 2) labor reserves and 3) frozen labor reserves (working and fixed assets).

--Organizational factors, which rationalize production using organizational and scientific production reserves without significant material outlays or increasing the rate of return on the outlays made.

a. Organization of production, improperly, in our opinion, called agricultural policy. These include:

b. Agricultural sciences.

--Agricultural production is the main factor determining the country's nutrition. It depends on material and organizational factors of production.

--Factors affecting the structure and standard of food consumption:

a. Food procurement, storage and processing industry.

b. Distribution of foodstuffs.

--Nonagricultural factors ensuring the material and technological development of agriculture:

- a. Industries producing for the needs of agriculture and the food processing industry.
- b. Distribution of materials for agricultural production.
- c. Agricultural services: machines, repair and land improvement.

We wish to title all the above topics "The Agriculture of Unused Possibilities."

We ask all those who appreciate the significance of the nation's proper nutrition and of the development of agriculture to the healing of the Polish sick economy to send their rationalization projects and lists of reserves they perceive in the food complex to us.

CSO: 2600/101

BRIEFS

NATIONAL BANK DIRECTORS MEET--A conference of directors of provincial branch banks of the National Bank of Poland was held in Warsaw on 9 October. The conference was called in order to review the effectiveness of monetary and credit policies and to discuss the main objectives of these policies for next year. Lines of credit for capital construction purposes worth a total of Zl 64 billion were withdrawn from 125 enterprises. The list of firms which have lost their creditworthiness ratings has also grown longer. However, these facts do nothing to invalidate the general conclusion to the effect that, 9 months into 1984, business enterprises still have more financing capital at their disposal than was provided for in the plan. [Text] [Warsaw ZYCIE WARSZAWY in Polish 10 Oct 84 p 2]

NUCLEAR ENERGY AGENCY MEETS--A fieldtrip meeting of the State Atomic Energy Agency executive board was held on 5 October in Swierk near Warsaw to discuss the harnessing of nuclear technology in the country's social and economic development, the program for modernizing the nuclear engineering infrastructure, and the 1985 draft budget of the Atomic Energy Agency. The meeting was chaired by M. Sowinski, chairman of the State Atomic Energy Agency. [Text] [Warsaw TRYBUNA LUDU in Polish 6-7 Oct 84 p 2]

CSO: 2600/104

SUCSESSES OF COTTAGE INDUSTRY PROGRAM IN BUCHAREST

Bucharest ROMANIA LIBERA in Romanian 22 Sep 84 p 5

[Text] The development and diversification of consumer goods requires cottage industries within the realm of small-scale industrial activity. There are advantages in this approach both for small industry, which can satisfy the demands of the populace for its products, in this case under better conditions, and for those who work at home--women, particularly those with children or medical problems and elderly retired persons.

Within the scope of the Bucharest trade union cooperative for producers of clothing, footwear and nonindustrial deliveries--according to comrade engineer Doina Clupea, the president of that union--there are more than 6,900 persons working on contract, of whom more than 5,800 are women and 1,480 working on an agreement basis, of whom more than 1,000 are women. By 1985 it is expected that about 10,000 people will be working in cottage industries, which comes to about a third of the union's membership. The effort to attract women to this kind of activity is supported by the municipal committee and committees of the women's sector, of the permanent commission of the Bucharest People's Council involved in that area, of deputies, etc.

All of our cooperatives make use of cottage industry in different trades: crocheting of lace, embroidery, hand-woven carpets and other goods, knitwear, shirts, blouses and dresses, etc., handicrafts, and so on. Women and other persons who wish to work at home are provided technical support, patterns and material; but, at the same time, this requires a minimum of preparation and they must demonstrate interest and talent in their chosen field of work at home.

These kinds of concerns are also manifested in the Bucharest trade union cooperative for metals, chemicals, wood and construction. Comrade Grigore Mosor, the president of that union, explains that "the volume of products or goods produced at home is continually rising. If in 1983 such products were valued at over 287 million lei, this year the volume of products and goods will rise to around 300 million lei, while in 1985 it will reach 325 million lei."

Keeping in mind the needs of our customers, action has been taken to provide work at home in eight areas of activity: folk arts and handicrafts, metals, chemicals, textiles, packaging, etc. The list of articles, as well as operations carried out at home, involves about 1,300 positions, from simple operations that can be performed "by a person without specific professional training

to operations with a high degree of complexity, thus making it possible to take in a significant number of people, of whom the majority are women."

Thus the "Wood Arts" cooperative produces many products out of wood, products for the home, knick-knacks, amusing games, etc. The "Radio-Progress" cooperative produces ornamental objects, toys, etc. The "Automechanic" cooperative produces different articles, traffic signals, etc. The "Cartonage" cooperative produces packaging articles, shoe boxes, wrappings for certain food products, bookbinding, etc.

This activity will be extended by directing our work toward new products for the domestic market as well as for export that will be produced entirely or partially by cottage industry, by increasing the utilization of reusable materials, and by strengthening support for those who work at home.

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CSO: 2700/20

BRIEFS

COAL PRODUCTION UNSATISFACTORY—So far this year, the coal production plan has been overfulfilled by 65,100 tons in mining units in the Jiu Valley, by 74,000 tons in the Ploiesti mining combine, by 45,700 tons in the Voivozi mining enterprise, by 10,900 tons in the Salaj mining enterprise and by 8,300 tons in the Comanesti mining enterprise. However, the situation in regard to the fulfillment of the coal production plan is not satisfactory. This is because there are great lags in the production of lignite in the Motru and Rovinari large mining combines. The average daily production achieved at the beginning of September in these two large mining units has not come up to even half the level of the provisions, of the existing production capacities and of the possibilities. It is true that the thermoelectric power plants have rather large supplies of coal and—from this point of view—conditions have been insured for them to function uninterruptedly, in a normal manner. In addition, there are large supplies of coal in the mining units themselves. But it is necessary that the coal production plan be fulfilled completely, in a regular manner, in all mining units. During this period, all the supplies of coal stipulated for the proper operation of the thermoelectric power plants during the winter should be insured. Measures should be taken, without delay, to increase coal production and make up for shortfalls, as well as to improve the activity of transporting the coal from the mining enterprises to the thermoelectric power plants so that the plan will be fulfilled everywhere, in all units. [Excerpts] [Bucharest SCINTELA in Romanian 21 Sep 84 p 1]

CSO: 2700/24

OPERATION OF ADRIATIC PORTS, 1983

Belgrade TRANSPORT in Serbo-Croatian No 5-6, May-Jun 84 pp 13-24

[Article by Ljubinka Miljanovic: "An Analysis of the Business Operation and Economic Position of Work Organizations Operating Seaports in 1983"]

[Text] Cargo Traffic in Seaports

The document entitled "Long-Range Program for Economic Stabilization in the Sector of Transportation and Communications," which was adopted in 1983, set forth the basic commitments for development of maritime transportation and the seaports in the coming period. The plan of activities to implement that program has stated in specific terms the tasks which are to be completed by 1984 and 1985, which will help to improve the conditions under which transportation, including maritime transportation, does business. Since during 1983 the measures contained in that program did not guide the development of transportation, the business operation of transportation as a whole and also the volume of goods transshipped in our seaports were influenced by economic disturbances in the world as well as by our own economic policy measures. Likewise, the economic problems burdening our neighboring countries and also international visible trade were adversely reflected in the traffic of transit cargo achieved, and all of this together affected the level of the financial results for both transportation as a whole and also for the seaports.

Total Cargo Traffic

According to the figures of the Federal Bureau of Statistics, in 1983 all the seaports of Yugoslavia had an aggregate cargo traffic of 33,002,000 tons, which represents a growth of 1,186,000 tons, or 4 percent, over the previous year. The growth of exports, which were up 27 percent over the previous year, had the decisive influence on the growth of total cargo traffic in seaports. Imports recorded a growth of 2 percent and transit a growth of 1.5 percent in 1983. However, actual traffic in 1983 was still about 2 percent below the traffic achieved in 1981.

If we examine cargo traffic through our seaports over the last 10 years (since 1974, when a traffic of 23.8 million tons was recorded), we see that total traffic through our seaports has been growing rather slowly, which is a consequence of the slow growth of our overseas foreign trade.

At the same time the volume of transit cargo passing through our seaports, which have a very favorable geographic position for attracting transit cargo involved in the trade of the central European countries with the countries of the Near and Middle East, has not been growing at the rate which would realistically be possible, but, on the contrary, transit traffic has been declining in recent years.

The average growth rate of the total volume of cargo traffic in seaports over the period from 1975 to 1981 was 6.2 percent, while in 1982 a 6.6-percent drop of traffic was recorded from 1981.

Our seaports as a whole tranship a volume of cargo equal to the traffic of a moderately developed European seaport.

The share of domestic vessels in carrying cargo involved in international traffic is unsatisfactory. Over the last 2 years domestic vessels have had a share of about 30 percent in international traffic, and that--about 37 percent of exports, about 35 percent of imports, and only about 10 percent of transit traffic. This indicates that foreign vessels are carrying twice as much of the cargo passing through our seaports in international traffic.

Our seaports: Koper, Pula, Rijeka, Zadar, Sibenik, Split, Ploce, Metkovic, Dubrovnik and Bar, which are members of the Seaport Grouping in the General Association of Yugoslav Transportation, transshipped 17,941,000 tons of cargo in 1983, which represents a growth of 8 percent over 1982. This kind of growth in the transshipment of cargo is certainly satisfactory, although the traffic handled is smaller than the traffic recorded in 1979, 1980 and 1981, as is evident from the table below:

<u>Indicator</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Index 1983/82</u>
Total transshipment, thousands of tons	18,698	18,744	18,398	16,563	17,941	108
Breakdown:						
Coasting	2,633	1,578	1,833	1,755	1,189	68
Exports	1,804	1,898	1,409	1,635	2,829	173
Imports	8,595	9,356	9,047	8,467	9,704	115
Transit	5,666	5,912	6,109	4,706	4,219	90

It might be said that the principal characteristics of the trend of the volume of cargo in 1983 compared to the previous year were as follows:

i. reduction of the domestic traffic of cargo in our ports (by 566,000 tons, or 47 percent), mainly because of reduced consumption of petroleum and petroleum products (coasting was down in a majority of our seaports, and there was a particular drop in the coastwise carrying of petroleum and petroleum products by the work organization "INA--Petronafta" of Split);

ii. the considerable growth of transshipment of export cargo (by 1,194,000 tons, or 73 percent), which in practical terms is the result of our country's

overall efforts to augment exports and reduce the trade deficit. The growth in the volume of export cargo is associated with the export of grain, which in 1983 was carried almost entirely by sea. Exports in 1983 reached 2,829,000 tons, which is a record quantity over the period of the last 10 years;

iii. the slower growth of transshipment of import cargo (growth of 1,237,000 tons, or 15 percent). The growth of imports is associated with coking coal and iron ore in the ports of Ploce and Rijeka, and then imports of soybeans and unrefined oils at Zadar, as well as imports of other raw materials to meet the needs of domestic industry;

iv. the further drop in the transshipment of transit cargo because certain transit cargoes were missing (iron ore going to Austria, manufactured fertilizers, the reduced traffic of manufactures, etc.).

It is interesting to examine the pattern of total transshipment of cargo in 1983 compared to the previous year, since manufactures have a higher tariff value than volume goods, ores and liquid cargo, and that has a direct impact on gross income and capital formation of work organizations.

In 1983 50 percent of the total cargo transshipped consisted of coal, petroleum and ore, while the share of the less valuable general cargo dropped from 23 percent in 1982 to 18 percent in 1983. The traffic of wood remained unchanged in the pattern (5 percent), but wood is also a commodity with a high tariff, grain increased its share from 6 percent to 8 percent, while other goods remained in almost the same proportions (metallurgy, nonmetallic minerals and fertilizer were 7 percent in 1982 and 8 percent in 1983, while building supplies and cement represented 3 percent of cargo in both years). Yet if we examine the pattern of cargo with respect to the principal cargo groups--bulk cargo and general cargo (bulk cargo includes coal, petroleum, ore and concentrates, wheat and wheat products, two-thirds of the nonmetallic minerals, two-thirds of the natural and manufactured fertilizers and cement in the port of Metkovic, while the rest is general cargo), then the ratio between bulk and general cargo would be as follows for the grouping over a lengthy period of time:

Type of Cargo	1968	1971	1975	1979	1982	1983
Bulk, %	53	60	58	66	62	65
General, %	47	40	42	34	38	35

This indicates that the pattern of cargo transshipment has deteriorated in the direction of bulk cargoes when a comparison is made to 1968, but in recent years the pattern of cargo transshipment in our port has not been undergoing basic change and reflects the pattern of our foreign trade.

Transit cargo also is retaining its pattern, so that from year to year bulk cargo represents two-thirds of total transit, and one-third is general cargo and wood. In 1983 the traffic of general cargo was larger than the previous year in the ports of Zadar (91 percent), Ploce (39 percent), Bar (25 percent) and Sibenik (19 percent).

As for the share of the various seaports in total transshipment of cargo by the grouping, there have been certain changes in recent years. In 1983 the share of the ports of the northern Adriatic in the total trade of the grouping dropped off from the previous year (the share of the port of Koper dropped from 16.2 percent to 15.0 percent and that of Rijeka from 37.7 percent to 36.5 percent), primarily because of the drop in transit cargo, which is mostly carried through the northern ports.

Of the middle Adriatic ports the share in total traffic was increased by the port of Zadar from 2.1 percent to 3.1 percent, the port of Split from 1.9 percent to 2.1 percent, and Sibenik from 5.1 percent to 6.2 percent. The crude phosphate terminal was put into operation at the beginning of the year in Sibenik, which accounted for the fact that for the first time since its inception this seaport transshipped more than 1 million tons of cargo.

As for the ports in the southern Adriatic, Ploce increased its share in total traffic from 17.6 percent to 19.2 percent, and Bar moved from 8.5 percent to 9.6 percent. Ploce approximated a traffic of 4 million tons of cargo, which places it in the position of the second Yugoslav port with respect to the volume of traffic. The year 1983 was a record year for the port of Bar with respect to the quantity of cargo transshipped (1,731,000 tons). The reconstruction of existing capacities and construction of new ones after the disastrous earthquake and better organization of work in the port itself were the principal factors contributing to this result.

Transit Traffic

In 1983 transit traffic through our principal ports amounted to 4,219,000 tons which represents a drop of about 500,000 tons of cargo from the previous year, or 11.5 percent, and that meant a smaller inflow of foreign exchange in the ports. It is interesting to point out that transit cargo had been increasing steadily up to 1981, and then dropped off drastically the very next year, so that the volume of transit cargo in 1983 was less than the traffic recorded in 1973 and represented the lowest traffic of transit cargo over the last 10 years. Compared to 1981 transit has dropped off about 1.9 million tons, or 44.8 percent, from 1976, when the largest traffic of transit cargo in our seaports was recorded over the last 10 years: 6.38 million tons, which is a drop of more than 2 million tons.

The reasons for these adverse developments are the following:

- i. the reduced foreign trade of Austria (reduced exports of finished products and imports of raw materials);
- ii. the foreign exchange problems of Hungary and Czechoslovakia, which govern the possibility for importing and economic growth in those countries;
- iii. the diminished traffic of manufactured fertilizers, which was previously recorded as transit from other countries;

iv. the unsuitability of rail and port facilities for the most modern forms of transportation.

In 1983 our seaports handled 1.65 million tons of Czechoslovak transit cargo, 1,126,000 tons of Austrian transit cargo, and then 1.66 million tons of Hungarian transit cargo and 371,000 tons of transit cargo from other countries.

Czechoslovak transit was up about 7 percent over the previous year because of a sizable traffic of bulk cargo, but it was still less than in 1981, when it amounted to 2 million tons.

Austrian transit has fallen off significantly from 1982 because of the decreased transshipment of iron ore, and this transit has been cut in half since 1981.

Hungarian transit traffic was up about 6 percent, but most of the transit cargo went through the port of Ploce; transit traffic from other countries dropped off about 45 percent from the previous year, mainly because of reduction of ro-ro [roll-on--roll-off] cargo in the port of Koper and manufactured fertilizers in the port of Rijeka.

Over the last 5 years the volume of transit cargo has been as follows by ports:

In thousands of tons

Port	1979	1980	1981	1982	1983	Index 1983/79
Total	5,666	5,912	6,109	4,713	4,219	74
Breakdown:						
Koper	649	1,064	1,093	1,118	1,099	169
Rijeka	4,616	4,496	4,462	3,378	2,860	62
Split	15	81	176	53	33	220
Ploce	299	182	268	119	188	63
Bar	9	26	59	22	12	133
Other ports	78	63	8	23	27	35

The most important ports for transit traffic are Rijeka and Koper, which over the last 5 years have transshipped 24,835,000 tons, or 93 percent of all the transit cargo; the port of Rijeka itself has transshipped 74 percent of the transit cargo over the period under consideration, which is 19,812,000 tons. However, the transit cargo which those two seaports handled in 1979 was 75 percent greater than that recorded in 1983. In Rijeka transit cargo has been dropping off for the last several years, and the drop of transit in 1983 from the previous year (18 percent) had a decisive impact on the decline of total transit in the grouping for that year.

Container Traffic

Since 1979, when four container terminals were put into operation (Koper, Rijeka, Ploce and Bar) container traffic in our seaports has begun to grow considerably. In Yugoslav seaports container traffic in 1979 was 45,453 (the number of containers is reduced to 20-foot containers) and then in 1981 and 1982 traffic was about 74,000 containers.

In 1983 container traffic was 80,198, which represents a growth of 76 percent over 1979. It is important to mention that the total number of containers has been increasing year after year, while the quantity of containerized cargo increased until 1981, and since that year has dropped off steadily, so that in 1983 the quantity of containerized cargo fell off 3 percent from the previous year, which indicates that empty containers were involved in the traffic.

Over the last 2 years our seaports have had the following traffic of containers and [containerized] cargo:

Indicator	Port				Total
	Koper	Rijeka	Ploce	Bar	
Number of containers, converted to 20-foot containers					
1982	40,834	26,866	2,023	4,395	74,118
1983	42,712	29,588	650	7,248	80,198
Quantity of cargo, tons					
1982	285,502	193,497	11,380	18,700	509,079
1983	263,154	205,540	3,970	21,739	494,403

Between 1982 and 1983 the total container traffic was up 8 percent: the port of Koper recorded a growth of 5 percent, the port of Rijeka 10 percent and the port of Bar 65 percent, while in the port of Ploce container traffic dropped off, primarily because of reduced exports of finished wood products.

The port of Koper has the highest share in total container traffic (based on the number of containers (53 percent), followed by Rijeka (37 percent), Bar (9 percent) and Ploce (1 percent).

Over the last few years the share of exports and imports in total container traffic has been increasing, while because of the reduced transit through our seaports there has also been a reduced share of containers in total transit container traffic.

Exports had a share of 40 percent in total container traffic in 1983, imports 24 percent, and transit 36 percent. Between 1982 and 1983 the export traffic of containers increased 17 percent, import traffic of containers 16 percent, and containers in transit traffic fell off 4.4 percent. The quantity of containerized cargo being exported increased 16 percent, there was a drop of 19 percent for imports and a drop of about 27 percent for transit.

The number of containers in transit traffic dropped off significantly in Bar (by a factor of 10 over 33), Rijeka recorded an 18-percent decline, and Koper a drop of 0.5 percent. However, the quantity of containerized cargo dropped off particularly in the port of Koper (28 percent) and the port of Rijeka (22 percent).

Figures on the increased number of containers are encouraging; however, we are still lagging behind the technologically advanced countries with respect to container traffic.

The commitment sketched out in the Long-Range Program for Economic Stabilization in the Sector of Transportation and Communications to the effect that specific actions have to be taken by all business entities toward more rapid and effective development of facilities for integrated transportation should certainly be followed by the seaports because container traffic is one of the principal forms of transportation within integrated transportation.

Financial Business of the Yugoslav Seaports

Structure of Gross Income, Costs and Income

In 1983 the seaports had a gross income of 17,251,239,000 dinars, which is 66 percent more than the revenues realized in the previous year. Since the growth of revenues was greater than the rise of inflation, a real growth of income was recorded, by contrast with the several previous years. The growth of income was influenced by the growth of total traffic, a change in the pattern of the cargo in certain ports, and also the rise in the rate of exchange of the dollar.

The seaports realize a sizable portion of their revenues (32 percent) on the foreign market. These are very important revenues, especially when we realize that in rendering their services the seaports are not burdened with the importing of production supplies, but the domestic content of total port services is 98.6 percent.

Revenues realized on the domestic market make up 45 percent of total revenues, while revenues within organizations of associated labor represent 9 percent, revenues realized through free exchange of labor represent 4 percent, foreign exchange incentives 1 percent, favorable differences in rates of exchange 5 percent, and miscellaneous revenues 4 percent.

In thousands of dinars

<u>Actual Revenues</u>	<u>1982</u>	<u>1983</u>	<u>Index</u>
On the domestic market	4,883,648	7,704,196	158
On the foreign market	3,118,248	5,472,678	176
Within the organization of associated labor	1,025,371	1,565,746	161
Through free exchange of labor	476,814	686,895	144
Favorable differences in rates of exchange	300,485	830,436	276
Gross income	10,399,259	17,251,240	166

The seaports realized an income of 201,203,000 dinars on the basis of foreign exchange incentives, which is only 17 percent more than in 1982.

The foreign exchange incentives which work organizations operating the seaports realize have lagged behind the incentives realized by organizations exporting manufactured goods. For years the seaports have demanded that incentives for exporting port-transshipment services be put on a par with manufactured goods, but instead the foreign exchange incentives have become more and more symbolic every year.

All work organizations operating seaports recorded a growth of gross income over the previous year: the port of Sibenik 108 percent, the port of Bar 76 percent, the port of Koper 71 percent, the port of Ploce 71 percent, the port of Pula 69 percent, the port of Rijeka 64 percent and the port of Dubrovnik 64 percent.

One of the things which tended to increase gross income in certain seaports was the rise in the average price per ton of cargo transshipped.

In the grouping of seaports the average price per ton of cargo transshipped was 885.37 dinars, which is 64 percent more than in the previous year.

Since the growth of general cargo represented only 6.6 percent of the total growth of cargo traffic in seaports, it cannot be said that the rise in the price per ton occurred because of the improved cargo pattern, but it can be rightly said that the rise in the price of services in domestic traffic and the rise in the prices of services in international traffic (thanks to the rise in the rate of exchange of the dollar) had a decisive influence on the rise in the price per ton of goods transshipped. The largest growth of the average price per ton in 1983 was realized by the port of Dubrovnik (86 percent). This work organization realized a price of 1,777.43 dinars per ton, which is twice as high as the average price for the grouping. The highest average price per ton of goods transshipped was realized by the "Sipad" Work Organization of Sibenik, 1,858.25 dinars (transshipment and storage of wood), and the lowest the port of Metkovic at 264.35 dinars.

The average prices per ton of cargo transshipped were as follows in the other ports: the port of Koper 1,117.47 (70-percent increase), the port of Rijeka 999.00 (45-percent increase), the port of Split 772.07 (4-percent increase), the port of Bar 558.15 (29-percent increase), the port of Ploce 412.76 (50-percent increase), and so on.

Regardless of the differing pattern of cargo, which also gives rise to different prices per ton, it can be confidently stated that there are high differences among the various ports in prices for the same types of cargo. It has been hard to reach an agreement on the division of cargo, and mutual competition is a frequent phenomenon.

In 1983 the work organizations operating the seaports had total costs which were 2,745,224,000 dinars, or 63 percent, higher than in the previous period.

In thousands of dinars

<u>Expenditures</u>	<u>1982</u>	<u>1983</u>	<u>Index</u>
Raw materials and supplies consumed	614,791	957,931	156
Maintenance of capital assets	567,856	987,967	174
Depreciation	1,051,617	1,570,771	149
Miscellaneous	<u>2,089,241</u>	<u>3,552,060</u>	<u>170</u>
Costs	4,323,505	7,068,729	163

Depreciation at the prescribed rates had a share of 22 percent in total costs, while in 1982 that share was 24 percent. The 49-percent increase of depreciation occurred because of the mandatory revaluation, which augmented the base for computation of depreciation, and new capital assets were activated during the year.

Costs of maintenance of capital assets represent an important item in costs and they have a share of 14 percent of expenditures. The higher costs of maintaining capital assets occurred because of increased repairs of capital assets and also because of higher prices of spare parts.

Miscellaneous costs increased because of an increase in the volume of transshipment and a rise in the prices of supplies and services.

Since costs rose three index points slower than total revenues, income increased faster (68 percent) than the growth of gross income. Income was 10,182,510,000 dinars, which is 4,106,756,000 dinars more than in 1982.

The port of Sibenik had the largest growth of income in relative terms (111 percent), and the lowest the work organization "Port Transshipment and Storage" of Split (only 17 percent).

In thousands of dinars

<u>Revenue</u>	<u>1982</u>	<u>1983</u>	<u>Index</u>
Share of income for the work community	495,475	708,690	143
Depreciation over and above the prescribed rates	121,633	287,095	236
Insurance premiums	139,467	172,635	124
Interest	<u>347,288</u>	<u>571,188</u>	<u>164</u>
Income	6,075,754	10,182,510	168

Distributed income is equal to income realized, which means that not a single organization recorded an operating loss. In 1982 the port of Bar had a loss of 57,689,000 dinars, while in 1983 it ended up with a positive business result. The positive financial result was achieved with the help of the broad social community, in that in 1983 the port of Bar received money from Igalo and Prekoškeanska plovidba [a maritime carrier] to cover a portion of interest

and repayment of loans (313,203,000 dinars), and then valuation funds (100 million dinars), funds from the Reconstruction Fund to cover losses (167,825,000 dinars) and funds from the National Bank (64,873,000 dinars). However, the year 1984 will be an extremely difficult one for the port of Bar because of the interest that has to be paid on loans.

During 1983 the seaport grouping had a net income of 7,185,003,000 dinars, or 65 percent more than in 1982. Net income increased more slowly (by three index points) than did income because of the more rapid growth of assessments for government and social service expenditure.

In the breakdown of income funds for personal incomes represent 61 percent (4,410,682,000 dinars), funds for social service expenditure 14.4 percent (1,037,320,000 dinars), while funds for business assets represent 13.5 percent of net income (968.71 million dinars), and the reserve fund 5.4 percent of net income.

Funds for housing construction showed the fastest growth (index number 283). However, we should mention that there are organizations which in the grouping have been unable to appropriate funds for housing construction from net income.

Funds for business assets increased 133 percent over the previous year. Although these funds (including also depreciation over and above the prescribed rates) did increase considerably, they do not make it possible to solve the problem of financing the infrastructure of the port and of developing port technology.

The average personal income paid out monthly per worker in the grouping was 20,772 dinars in 1983, or 34 percent more than in 1982. Since the cost of living rose about 60 percent, real personal incomes dropped off appreciably in 1983. However, compared to other branches and groupings, the growth of income was satisfactory, especially since this grouping achieved an average income paid out that was about 30 percent higher than the Yugoslav average.

The highest average net personal income was in the port of Rijeka, where it was 24,452 dinars, or 18 percent more than for the grouping as a whole, and the lowest personal income per employee was in the port of Bar, where it was 14,596 dinars, or 30 percent less than the average for the grouping and 40 percent less than in Rijeka.

Aside from Rijeka, the port of Koper also had an average net personal income (22,388 dinars) that was higher than the average for the grouping.

At the end of 1983 the grouping of seaports had a labor force of 12,917, or 2 percent more than in the previous year.

Funds, Obligations and Credits

The business assets of the grouping in 1983 amounted to 43,519 million dinars, or 47 percent more than in the previous year. The current value of fixed capital was 26,194 million dinars, which represent 60 percent of business assets,

and the absolute value of fixed capital rose 38 percent over the previous year. Infrastructural facilities represent 60 percent of the total purchase value of fixed capital (53,374 million dinars).

The total purchase value of infrastructure in seaports is 32,144 million dinars, of which the port of Rijeka accounts for 50 percent.

The infrastructure is 59 percent amortized. The highest rate of amortization of the infrastructure is in the port of Rijeka, where it is 80 percent, which shows that new investments are needed in this port whether as new projects or capital maintenance.

In 1983 investments in the capital assets of organizations of associated labor operating seaports amounted to 3,105 million dinars. By comparison with the previous year the scale of investment remained nominally at the same level, but it dropped off essentially in real terms.

The sources of business capital increased in line with the growth of business capital. Long-term sources of business capital amounted to 10,819 million dinars, of which pooled capital represented 13 percent and long-term credits 87 percent. Permanent sources of business capital represent 62 percent of total sources.

Total credits amounted to 10,515 million dinars and were up 75 percent over 1982, and this represents 24 percent of business capital. The share of credit on fixed capital in the breakdown of sources of business capital in the grouping increased from 20 percent in 1982 to 24 percent in 1983.

The seaport grouping is in debt because of the debt of the port of Bar. In 1983 the port of Bar had a share of 74 percent in total credits. It is not difficult to explain this observation: 71 percent of all the credits in the grouping are foreign exchange credits, and the port of Bar accounts for 95 percent of all the foreign exchange credits. In 1983 this port's indebtedness increased 120 percent.

In 1983 loan repayments increased faster than the amount of credit outstanding. The port of Bar accounted for 62 percent of all the payments, and this comparison is sufficient to indicate the amounts involved: in 1983 that port had an income of 1,042.5 million dinars, and payments on credits for fixed capital amounted to 885.7 million dinars, or 85 percent of that amount.

Funds for reproduction rose 75 percent this year over the previous year. Depreciation at the prescribed rates represents half of those funds.

The accumulative capability of work organizations operating seaports increased 56 percent this year (from 3.2 percent to 5.0 percent), and the rate of reproductive capacity rose 18 percent (from 7.2 percent to 8.5 percent), again as a consequence of the growth of amortization set aside at the minimum rates.

The profitability of business operation (income relative to average business capital employed) rose 10 percent.

The economic efficiency of business operation (gross income relative to costs) rose only 2 percent, which was brought about by the rise of prices.

Foreign Exchange Operations

The total inflow of foreign exchange realized by work organizations operating seaports is invisible in nature and in 1983 amounted to \$60,666,500, which is at the level achieved in 1982.

The inflow of foreign exchange realized by work organizations operating seaports in 1983 was 63 percent greater than in 1979 (when \$37,193,000 were realized), but 28 percent less than the inflow of foreign exchange achieved in 1981 (\$77,645,000).

Services performed on transit goods are the most important item in the inflow of foreign exchange (in 1983 they represented 82 percent of the gross inflow), so that the inflow of foreign exchange depends directly on transit traffic. This inflow is down 2 percent from 1982 (we noted above that transit traffic was off 11.5 percent).

The ports in the grouping which account for the inflow of foreign exchange are the port of Rijeka (53.2 percent of the total inflow) and the port of Koper (26.5 percent of the total inflow).

Of the other ports the port of Ploce (8.4 percent) and the port of Bar (4.0 percent) have a significant share in the total inflow of foreign exchange, while all the other ports together account for the remaining 7.9 percent.

In the total inflow of foreign exchange the convertible portion represents \$42,785,000, or 75 percent, which is 2 percent less than in the same period of the previous year.

The grouping had an outflow of foreign exchange amounting to \$18,595,000, which was 1 percent less than in 1982. Loan repayment represented the highest percentage (56.6 percent) of the outflow of foreign exchange. The outflow of foreign exchange in the reporting year ranged from 0.1 percent in the ports of Zadar and Dubrovnik to 51.1 percent in the port of Bar. The port of Bar accounted for more than half of the total outflow of foreign exchange from the grouping because of its high obligations under credits, and this port had a negative foreign exchange balance in 1983.

The net foreign exchange inflow of the grouping was \$42,071,500, which is only 1 percent less than in 1982. About 60.5 percent of the actual net inflow of foreign exchange is in convertible currency.

The net inflow of convertible foreign exchange in 1983 was 6.3 percent less than the net inflow of convertible foreign exchange recorded in 1979 and considerably less than the net inflow of convertible foreign exchange in 1980 and 1981.

The largest net inflow of foreign exchange was achieved in the port of Rijeka (62.9 percent and \$26,478,000) and then in the port of Koper (32.1 percent and \$13,515,000). The port of Bar recorded a negative net inflow of foreign exchange in the amount of \$7,082,000, since the outflow was 3.9-fold greater than the inflow of foreign exchange.

Concluding Remarks

In examining the analysis of business operation and economic operation of work organizations operating seaports in 1983 during the plenum of the seaport grouping all these movements in the analysis were elucidated with the relevant argumentation, all the outstanding problems were debated, and the following assessments and conclusions were adopted on that basis:

- i. In 1983 the transshipment of cargoes in our ports revived, and total public transshipment increased 8 percent, but it is still lower than transshipment in 1981. However, transit traffic declined by about 500,000 tons, which is very disturbing.
- ii. Thanks to the growth of traffic and the policy of a more realistic rate of exchange of the dollar and the rise in the prices on the domestic market, gross income, income, net income and other economic categories recorded a sizable growth over 1982.
- iii. In distribution of net income the grouping of seaports carried out the social commitments contained in the resolution and practical documents regulating the policy governing distribution. Allocations to expand plant and equipment and to augment reserves increased (136 percent) 98 index points faster than the growth of personal incomes (38 percent), while personal incomes increased 30 index points slower than the growth of income.
- iv. Interest, insurance premiums, membership dues, compensation for municipal services and similar expenditures ought to be paid from costs rather than income, since all of these expenditures are a function of production.
- v. Foreign exchange incentives are very low, even though the services of seaports depend very little on imports, so that in the coming period port services ought to be stimulated with the same treatment as manufactured goods.
- vi. In the soliciting of goods competition on the Yugoslav market is a normal phenomenon, and this diminishes the prices for port services and increases the competitiveness of Yugoslav exporters. Competition is not desirable on the foreign market (the transit market), where individual seaports offer rates in their schedules not based on sound criteria, which diminishes the inflow of foreign exchange both in the seaports and also in the country as a whole.
- vii. The financing of port infrastructure does not have the same status in all ports. The question of financing seaport infrastructure has been settled only in SR [Socialist Republic] Slovenia.

viii. The low traffic capacity of the railroads and the everyday shortage of railroad cars are holding back the development and utilization of capacity in seaports.

ix. In the policy calling for integrated transportation only the seaports and maritime carriers are making investments, though there is a shortage of container [original reads "continental"] terminals in the interior and container trains. Industry is still not technologically prepared for containerization.

x. The Yugoslav seaports realize more than 50 percent of the gross revenues from transshipment and storage services. There are regulations which hold back the development of the ports' commercial and industrial functions, and there is a need to alter the present status of duty-free zones on the basis of the proposals drafted by the seaports, which are well documented and abound in examples. It is also necessary to liberalize the regulations on investment of foreign trading partners in our duty-free zones.

7045

CSO: 2800/37

ECONOMIST ADAMOVIC QUERIED ON DEBTS, INITIATIVE

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1755, 19 Aug 84
pp 20-21

[Interview with Ljubis Adamovic by Ana Dragovic: "Head Above the Water"]

[Text] From the period following the first Serbian uprising, our country has not been in debt to anyone, even the countries that inflicted enormous material and human sacrifices on it through aggressive attacks. Because of this, a group of our economists feels that our generation has a great responsibility to preserve Yugoslavia's creditworthiness. A considerable number of their colleagues have the opposite opinion, however, and are treating the repayment of foreign debt as a super-exploitation of capital. This is one of the subjects in our conversation with Prof Ljubisa Adamovic, head of the department of international economic relations at the Economics Faculty in Belgrade.

[Question] To what extent will the development of all countries be measured according to the developed societies of the West?

[Answer] Proceeding from what can be seen almost with the naked eye, it appears that the standards of a developed consumer society have become the ideal even for those who do not have the conditions for achieving them even in the next 100 years or so. Isn't the slogan "overtake and pass" (the developed capitalist countries) a proof that socialist society has also decided on those parameters for economic development? Thus, if our goals and standards lie in achieving a developed industrial Western society as soon as possible, I feel that we will still be treated as an undeveloped country for a long time yet, since there are no longer any historical conditions for accumulation to be carried out in the way in which it was done during the period of the industrialization of today's developed countries. Admittedly, in this respect there is potential in the area of new technology, but in the best case, that is uncertain.

[Question] If by some chance we had not been "denied" new credits, to what extent would we still be lulled in a false "prosperity"?

[Answer] It is natural for an undeveloped country that has plans for intensive economic and social development to involve foreign funds as well -- provided that there is confidence in the capital market that loans will be approved for it. In this regard Yugoslavia is almost a textbook example of the so-called development deficit. Yugoslavia's total foreign debt in 1984 amounts to about \$20 billion. This problem was not discussed for a long time, and several academic studies in Yugoslavia of this subject were done using Yugoslav data available to the foreign creditors, from the World Bank and the International Monetary Fund to the financial ministries of certain countries and several private banks.

In 1984, Yugoslavia is one of a group of about 40 debtor countries, although the size of debt is a relative concept. One of the most important criteria for the extent of indebtedness is the pressure of the so-called debt servicing, i.e. the payment of interest and amortization of the principal from current foreign exchange earnings. It is felt that financial obligations abroad become a serious burden when their amount passes 25 percent of the value of the current foreign exchange earnings. Since the total Yugoslav debt is about \$20 billion, this year it will be necessary to pay about \$5 billion to cover the foreign debt. This represents about 41 percent of the anticipated total foreign exchange income from all sources, which may amount to about \$12 billion in 1984. Naturally, it is possible that there may be surprises before the end of the year.

[Question] There are countries that import both more raw materials and more food than Yugoslavia, but this does not seem to keep them at all from being both better producers and more effective exports than us.

[Answer] A harmony between the production of raw materials and manufacturing capacity is not the only condition for a national economy to ensure a foreign trade balance. The source of our foreign trade imbalance also lies in the disproportion between the country's real capabilities based on the existing productivity of labor, and the ambitions of consumers of all categories. From the second half of the 1970's to 1982, for example, we spent from 6 to 9 percent more than the value of domestic production. This was possible because this amount was covered by borrowing abroad. In practice, this means that the standard of living for all citizens was higher than was economically possible, although this does not mean that it was equally higher for everyone. Thus, since from personal to "state" consumption it was possible to spend regardless of the productivity of labor, this soap bubble had to burst.

[Question] How much did the hand in the pocket of social property contribute to this?

[Answer] This is not just a question of economic crime, but also of a large-scale degradation of the value of social property. It has to do with some steps in economic policy: from amortization calculation that was unrealistic for years, to a policy of cheap money and large-scale financing under the conditions of a rapidly growing rate of inflation. Thus for years "income" that did not exist was divided and spent, and basically for years there was a degradation of the substance of national and thus of general social capital.

In this context, the negative consequences of individual economic criminal acts are more important in the moral-political sphere than in the economic sphere.

[Question] Why is it that Yugoslavia often does not act in a united manner, as a country, on the world market?

[Answer] It is not by chance that our creditors have insisted that Yugoslavia guarantee the code for the repayment of debts. Since balance of payments positions were introduced for the republics and provinces in the late 1970's, Yugoslavia has made considerably higher foreign exploitation of our economy possible. The answer to eliminating this evil is not the introduction of a state monopoly on foreign trade, but rather a vertical integration of the Yugoslav economy on a self-managing basis. Since no single solution is ideal, the tendency toward monopolism by industry could thus be strengthened. Therefore, the state's hands should be freed and it should obtain funds to respond to every attempt at monopolization by intervening with imports.

[Question] Today, when a potential purchaser knows that we have to export, and even at any price, what kind of foreign trade negotiations would you conduct?

[Answer] In this difficult situation, I think that one should consider the possibility that private producers could also export, either directly or through an intermediary. Possibly this would increase the initiative for achieving foreign means of payment. The social sector would gain by having the private exporter obligated to sell foreign exchange to the National Bank, just as the social sector has to do, in accordance with the accepted procedure. Like every solution, this would also have certain weaknesses. One of them is that part of the funds could possibly remain abroad on a speculative basis. This, however, would be a violation of regulations, with all of the resulting risks. At any rate, even now part of the funds are being skimmed off, either with the knowledge of self-management organs or in the form of speculations by individuals with the aid of illegal commissions. Otherwise, the Yugoslav economy, and not just the economy, can be faced with the grayness of the levelling that is already leaning over this society like a specter and threatening to kill even the little self-initiative there is, along with willingness to accept responsibility and to become creatively involved.

[Question] How can the moral crisis be alleviated?

[Answer] The morale of everyone on board, both passengers and crew, depends to a great extent on the way in which a ship is steered when it has been sailing in a crisis. Every crisis, and especially an economic one, also tests certain moral categories of society. It is high time for citizens to become convinced that in this country it is also possible to live in accordance with one's own contribution to society. There are no more powerful sources of moral strength than the example of a positive reputation. It is not possible to speak about modesty and saving, without seeing from the way of life of the one who directs such an appeal that he really thinks seriously about this and that he is doing this himself, especially since our population has been profoundly politicized, and has a great instinct for the truth.

[Insert: "The Law Doesn't Help Either"]

"The economic crisis began in Yugoslavia as far back as 1974-1975. Yugoslavia did not adjust to the first shock of the increased oil prices. The higher expenditures for energy led considerably more wealthy and developed countries to revise the structure of their consumption and price relationships. We, however, continued to behave like 'drunken barons,' as if this did not apply to us.

"The degree of cohesion of the world capitalist economy is still very high, so that in the future, as has been the case before now, various measures will be undertaken to make it possible for the debtor countries to 'keep their heads above water' and repay their debts. In several cases, the creditor is not even insisting on the repayment of the debts. The essential thing is for the capital to be fertile and for the interest to be paid.

"The extent to which we lack an awareness of the real tendencies in the structure of the world economy is also demonstrated by the fact that it was necessary to pass a law prohibiting the construction of power plants using oil, with even this law not being respected. With such conduct it is not possible to carry out a successful adjustment nor can an undeveloped country come closer to a better place in the world economy." says Ljubisa Adamovic.

9909

CSO: 2800/20

REPUBLIC IMPORTS FROM CONVERTIBLE CURRENCY AREA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Sep 84 p 2

[Article by Milorad Urosevic: "Appreciable Drop in the Share of Investments"]

[Text] There is quite a bit of justification for the effort to find a way out of the very unfavorable economic situation by reducing investments among other things. Especially when we take into account the period of approximately the last decade, which has been typified by excessive borrowing abroad for investments in projects which often have not been sufficiently studied and lack economic justification.

However, as in everything else, every coin has two sides; that is, any constructive act, if it is supplied longer and more intensively than is justified, can be distorted into its opposite, and that is also the case with "pruning" investments at all costs. Thus a warning was issued in the last days of last year in a meeting of the executive board of the Economic Chamber of Yugoslavia that there is a lag of investment in building new industrial capacities and modernizing existing ones, accompanied by a very significant and understandable illustration: If jobs are to be found for all those registered as unemployed and those working abroad temporarily, it will be necessary to invest about 12 billion dinars, which is more than the 2-year value of the country's social product.

That was an occasion to publish a report in this newspaper just at the end of the last year with figures covering slightly less than a year, which showed that out of every 100 dinars of imports from the convertible region 76.80 dinars were paid for production supplies, 17.20 dinars for equipment to go into capital investment projects, and 6 dinars for consumer goods. As far as we know, there was no serious reaction to that warning right up until the end of this August when Dr Milenko Bojanic, federal secretary for foreign trade, declared among other things: "Because of our problems with the balance of payments we have administratively brought about a reduction of imports of equipment and foreign technology as a whole, and this is now beginning to take revenge on us. We are beginning to lag behind the world, and then it is not only difficult to conquer the increasingly selective foreign markets with the quality and assortment we offer, but even to retain those we have. I feel that our balance of payments now offers us an opportunity for larger imports of equipment and technology."

This observation by federal secretary Bojanic must not pass without a response. Especially since the official figures of the Federal Bureau of Statistics round out and back up what he said, revealing that the situation in this respect has deteriorated appreciably during the months of this year that have passed so far. In this connection it must be borne in mind that the contribution of certain sociopolitical communities to these developments, as indeed in the overall conduct of economic activity, including foreign trade, varies greatly, which means that the efforts for improvement should also have the appropriate intensity.

The preliminary figures for two-thirds of the current year provide the picture shown in the table.

Table 1. Imports From the Convertible Area for the Various Republics and Provinces in the Period January-August 1984

Sociopolitical Community	Total Imports		Breakdown	
	Millions		Production	
	of Dinars	%	of Dinars	%
SFRY	569,410	100.0	450,419	100.0
Bosnia-Hercegovina	69,339	12.2	53,727	11.9
Montenegro	12,947	2.3	7,519	1.7
Croatia	126,016	22.1	100,716	22.4
Macedonia	33,424	5.9	27,501	6.1
Slovenia	112,630	19.8	91,387	20.3
Serbia proper	119,794	21.0	94,715	21.0
Kosovo	10,300	1.8	7,107	1.6
Vojvodina	58,015	10.2	51,118	11.3
The Federation	26,945	4.7	16,629	3.7

Breakdown (continued)

	Capital Investment		General Consumption	
	Projects		Millions	
	of Dinars	%	of Dinars	%
SFRY	85,342	100.0	33,649	100.0
Bosnia-Hercegovina	12,632	14.8	2,980	8.9
Montenegro	5,132	6.0	296	0.9
Croatia	16,913	19.8	8,386	24.9
Macedonia	3,933	4.6	1,990	5.9
Slovenia	15,004	17.6	6,239	18.5
Serbia proper	15,076	17.7	10,003	29.8
Kosovo	2,637	3.1	556	1.6
Vojvodina	4,478	5.2	2,415	7.2
The Federation	9,536	11.2	780	2.3

If we proceed from the fact that the share in imports ought to be at least an approximate orientation for the share in the structure of purchases by economic

purposes, then Bosnia-Herzegovina, Montenegro and Kosovo stand out as the leaders in importing the proscribed "equipment for capital investment projects"—which means that two republics and one province from among the underdeveloped have had a considerably higher share than their share in total imports. By contrast with them, Croatia, Slovenia and Vojvodina have had a higher share in imports of production supplies than in total imports, which can serve only as an indicator, but by no means as evidence of any very specific conclusion. No one as yet is able to unridicule what quantity of production supplies are exported although they are then being imported by other consumers in the country, but we are talking about immense quantities and huge values, of that there is no doubt. It is also evident that because of exporting at "any price," and because the same goods are then imported, a sizable portion of the national income is flowing out to foreign merchants, and this has a considerable impact toward diminishing funds for importing equipment and up-to-date technology.

Outlays to import consumer goods, which are given in the last column of Table 1, indicate the drop in percentage over the first 8 months of this year compared to last year, but these figures can also serve as a kind of tangible indicator of the supply of those articles on the domestic market, which is something requiring a more detailed analysis.

Aside from figures on the share of the various republics and provinces in total imports and by economic purposes in imports from the convertible area, the pattern of imports in each sociopolitical community and in the country as a whole is also of interest.

Table 2. Pattern of Imports Within the Republics and Provinces

Sociopolitical Community	Total Imports	Breakdown by Economic Purposes, %		
		Production	Capital Industrial Projects	General Consumption
SFRY	100.0	79.1	15.0	5.9
Bosnia-Herzegovina	100.0	77.5	18.2	4.3
Montenegro	100.0	58.2	39.6	2.2
Croatia	100.0	79.9	13.5	6.6
Macedonia	100.0	82.3	11.7	6.0
Slovenia	100.0	81.1	13.3	5.6
Serbia proper	100.0	79.1	12.6	8.3
Kosovo	100.0	69.0	25.6	5.4
Vojvodina	100.0	88.1	7.7	4.2
The Federation	100.0	61.8	35.4	2.8

It is evident from Table 2 that 79.10 dinars of every 100 dinars of imports from the convertible area were spent over this period for production supplies, as against 76.80 dinars during last year. Only 15 out of every 100 dinars were paid for equipment for capital investment projects, as against 17.20 dinars last year, while for consumer goods 5.90 dinars were paid out of every 100, as against 6 dinars last year.

Viewed by republics and provinces, the largest deviations were recorded by Vojvodina, which spent 88.10 dinars for production out of every 100 dinars of imports, and only 7.70 dinars for equipment for capital investment projects, and Montenegro displayed the opposite example with only 58.20 dinars for production and all of 39.60 dinars for equipment to go into capital investment projects, which was also approximately the pattern of imports of the Province of Kosovo. The figures of the other sociopolitical communities are quite close to the averages for the entire country, and it remains to be seen whether these trends, which are in essence unfavorable, will be halted in the coming months.

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CSO: 2800/33

OPERATION, EXPANSION OF KOPER PORT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Oct 84 p 4

[Text] The port of Koper has developed very intensively over the last several years. This year they expect to handle 2.5 million tons of cargo in the port, but even in 1985 they plan to transship 40 percent more cargo (3.5 million tons). The growth of cargo shipment is related most of all to construction of the new bulk cargo terminal, which is now in trial operation. Regular transshipment in the terminal will begin this month, so that the port of Koper, along with Rijeka, will be utilizing all the advantages in transshipping transit cargo for Austria, Hungary and Czechoslovakia. That is why a grain silo and a covered terminal for phosphates will be built in the port of Koper.

To develop the port 1.5 billion dinars, then, are being invested annually. That the investment is also resulting in larger transshipment and income is best indicated by the figure that in the port of Koper they are now realizing a gross income of approximately 5 billion, income of 3 billion and \$13 million of convertible foreign exchange, most of which represents net inflow of foreign exchange. The port of Koper actually does not have large expenditures in foreign exchange, and with respect to income it is second in our country.

Aside from carrying out development plans in the port of Koper, those employed there want to "overcome" three other difficulties as well. They need to remedy the shortage of freight cars; that is in first place. Then the second problem which has to be solved is realizing the full advantage of a free trade zone (it embraces the entire area of the port of Koper), and third: to fit the development of this port into the business operation of our vessels.

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RIJEKA PORT CONSTRUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Oct 84 p 4

[Text] During this year the work organization "Luka" of Rijeka will be investing 3 billion dinars to enlarge its capacity, whereby, in the judgment of those in "Luka," they will hold first place among Adriatic ports. Most important among the development tasks are thought to be expansion of the capacity of the silos, container terminal and storage areas for bulk cargoes at Bakar near Rijeka. Thus in future the silo will be able to take 52,000 tons instead of the previous 32,000 tons of grain, which to a considerable extent opens up the possibility for larger exports and transit, and thereby for larger total inflow of foreign exchange as well.

With construction of the second phase of the container terminal its capacity will be doubled, which will make it possible to transship 60,000 containers a year. Construction of the storage facility for bulk cargoes at Bakar would increase the terminal's annual traffic by almost 800,000 tons.

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SEMIANNUAL CREDIT-MONETARY TRENDS DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8-10 Sep 84 p 3

[Article by Miodrag Jankovic: "And According to Seasonal Requirements"]

[Excerpt] Greatly Increased Money Supply

Is there a basis for believing that credit-monetary flows have been faster (it is assumed for the economy and users of credit) in the first half of this year only because the money supply and bank lendings were larger than in the first 6 months of last year[?] There certainly is, but the size of that benefit has not been mentioned anywhere. Monetary trends are encouraging in any case, since they suggest a somewhat more permissive credit and monetary policy, though it continues to be restrictive.

The money supply grew in the first half of the year by 118.4 billion dinars, which is 13.3 percent more than in the same period of last year. In the first half of last year the money supply grew 24.6 billion dinars, which was only 3.3 percent. The conclusion to be drawn from these relations is that the money supply is very greatly augmented and that the economy ought to be satisfied, especially since bank lendings have also increased by 324 billion dinars, or 10.2 percent.

It is true that the money supply has grown exceedingly, which certainly also means that there is more money in the channels of payments traffic, in the accounts of the economy and in the accounts of the banks (according to the official figures, much more in accounts representing government and social service expenditure). One would say after such results that there is no reason to emphasize that the ability of the economy and the banks to make payments is poor, that the already unfavorable accumulation of basic organizations of associated labor is thereby diminished still more, that dependence on bank credit is increasing, and so on. For all these reasons certain reflections still have to be clarified (this probably ought to be done by analysts of progress in the various aspects of the stabilization).

It is constructive, without going into the evidence, that the money supply is growing faster, although this could also be an aggregate of higher inflation. The money supply must also adapt to economic activity in the context of double-digit inflation. The instruments for that purpose need not be excessively

harsh restriction of bank lendings, the freezing of the money supply and refusal to adapt to the nominal values of the social product. Credit and monetary policy need not be used exclusively in a frontal way; it is quite suitable for various cooperative actions.

The Pace Is Not Sufficient

The semiannual growth of the money supply has been immense even for present relations, as we have already emphasized. We have not answered the question of whether it was sufficient and whether it was adapted to equipping the economy to oppose inflation. Nor is it clear to what extent seasonal needs and seasonal fluctuations will respond (prizivatise). That is, why is it, not for the first time, of course, that most of the growth of money aggregates is stimulated at the end of the year, in the fourth quarter? Are conditions actually such in the conduct of economic activity that the same can be achieved in a short period as over 6 or 9 months?

Here is why such questions seek answers. The order on the goals and tasks of joint note issue and monetary policy and the joint bases of credit policy stated that the money supply would grow 38.5 percent in 1984, net domestic assets 17.7 percent, and bank lendings 26.5 percent. So, in the first half of the year the money supply increased only just a bit more than one-third of the annual rate. Probably that is the policy, but a comprehensible and acceptable justification ought to be outlined behind it. Reflections along these lines have been evoked by the very frequent conversations about how the economy has also been held up by the inadequacy of working capital. Certainly the nominal values determining the quantity of working capital, the size of the money supply, the available resources which the commercial banks will commit and whether the most optimum relationship will be achieved--so as to not issue new notes as long as the money resources concentrated in the commercial banks are not entirely used, and not neglecting the fact that payments traffic (in spite of electronic technology) also ties up truly immense resources, are certainly projected when the money flows are being planned.

Many of the present relations and trends impose reflections of this kind. Honoring the expediency of the restrictive credit and monetary policy and instruments in economies in which high inflation prevails, it is also inevitable that certain other instruments be tested as well, since this one has been "in fashion" for quite a long time, and it cannot be said that it has provided any very serious aid. In addition, the public is aware that the money supply was supposed to grow a bit more slowly in the first months of this year, but it equally knows that industrial output rose 4.7 percent in 6 months, that domestic demand is continuing to drop, that prices and inflation are up about 60 percent, and so on. Following these details, it seems that the money supply has grown immensely, but the pace of that growth has not been sufficient to meet the needs of the economy and to support larger output, more exports, not to mention greater independence for basic organizations of associated labor.

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CRUDE OIL SUPPLY, REFINERY PRODUCTION TO END OF 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Sep 84 p 4

[Text] The petroleum industry, with the support of federal authorities, will resume efforts to import petroleum more rapidly in the third quarter so that we would enter the last quarter with greater peace of mind and would at least partially make up for reduced purchases in the first half of the year, it was recently stated in the Economic Chamber of Yugoslavia. It is not difficult to conclude that the country's energy balance for this year, with respect to that portion which concerns petroleum, will be fulfilled in a somewhat smaller volume.

Instead of the 10.6 million tons from abroad projected for 1984, probably slightly more than 9.5 million tons of crude petroleum will come into our country. From the bilateral payments area and convertible area together, of course. Last year's imports amounted to 9,021,500 tons. Domestic production was at the same time 4,139,400 tons. It would be good if the same output were obtained again this year from our own oil fields, where the conditions of exploitation are becoming increasingly problematical, since it is becoming necessary to drive much deeper for petroleum than up to now.

In any case, obvious efforts have been made this year to somehow make ends meet with liquid fuels, although it is certain that the money to purchase crude petroleum abroad is not procured so easily. What is more, it is also obtained on credit, which has certainly put a burden both on the refineries and the consumers of petroleum products. There are no reliable estimates as to the future trend of consumption, especially in the last quarter.

As far as the summer is concerned, it is very probable that the demand has been more intense because of the invasion of foreign tourists and our own "annual vacationers" that in the first 6 months, when the consumption of motor gasoline was 12 percent less than in the same period of 1983, diesel fuel consumption was down 11 percent, kerosene consumption down 24 percent, propane-butane consumption down 2 percent and heavy fuel oil down 25 percent. The supply of some of these petroleum products was not sufficient, and that primarily applies to jet fuel, heavy fuel oil and to some extent liquefied gas, especially in the January-March period. Consumption of motor gasoline increased only in the first half of the year, and that by 141,000 tons, because of the accelerated development of the petrochemical industry.

It is not a simple matter to make up for reduced imports of crude petroleum in the period January-June. The shortfall was 1,330,000 tons, while at the same time domestic output was off 2-3 percent. The energy balance for next year, then, should be adopted much earlier, rather than waiting for an adjustment that is out of all proportion. There are not many signs that the supply of foreign exchange will be more abundant, but rather there are more and more people demanding that the purchases abroad be made on the basis of generally recognized needs in reproduction.

That in short means that foreign exchange would be collected with the help of a law. It is wrong to adopt a list of desires which often cannot fully serve practical purposes. That is why it is good to conduct the discussion on how the shortage of certain petroleum products--heavy fuel oil or heating oil--is to be made up. The representatives of the petroleum industry have mentioned in the Economic Chamber of Yugoslavia, for example, that the output of heavy fuel oil will be cut in half by the end of the year in comparison to 1983, when 4,562,000 tons were delivered to consumers. This does not include consumption in the petroleum industry, which was 928,400 tons.

Does this not suggest the assumption that associated labor must itself set aside resources to import finished petroleum products. The refineries are striving to relieve themselves of the inexpensive black petroleum products--heavy fuel oil, heating oil and the like, since their high output brings them losses. It was also mentioned in this connection that the petroleum industry has an interest in faster development of coal mines. This declaration of support is too late, since extremely little has been done in the recent and more distant past to speed up coal production with higher heating value, both brown and bituminous or better, at a faster pace.

This year's brown coal production in the first 8 months was up only 1.5 percent over last year, and the output of bituminous or better coal was down 1.9 percent. Which of the liquid fuel consumers is able to do without? That is precisely why it will not be possible for Yugoslavia's energy balance for 1985 to be adopted without difficulties. A faster pace, more dynamic production and exports are being demanded of the economy and especially of industry. That is truly a complicated task when there is not enough energy.

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BRIEFS

SHORTAGE OF LOCOMOTIVES--During the fall when needs for transporting coal, grain, and export goods are greater, difficulties always arise because of a lack of rail transportation. There is a big difference between planned needs of the economy and the actual possibilities of railroads to meet these needs. The biggest problem is the lack of locomotives. At present about 26 diesel electric locomotives and 23 large electric locomotives are out of operation. The Yugoslav Railroad Association said that in the first 7 months of this year 47.4 million tons of goods were transported, but the economy lacked 151,000 railroad cars, 99,000 of which were in railroad stations because of various restrictions and quotas. There are also jammed border stations. The trunk line from Jesenica to Djevdjelija has become a construction site on which every [republic and provincial] railroad transportation organization carries out repairs during the peak periods, causing train delays. But the worst problem is the failure to provide locomotives at transshipment points. In regard to difficulties in transporting coal from Bosnia to Belgrade, a letter from the Executive Council of the Bosnia-Hercegovina Assembly said there had not been difficulties in shipping to Croatia and Slovenia, where the Zagreb and Sarajevo railroad transportation organizations supply locomotives. There have always been difficulties in transporting goods to Belgrade because of the lack of locomotives at the Novi Sad and Belgrade rail transportation organizations. This has caused disputes regarding the failure of these two organizations to meet their obligations, delays in transporting goods to Sarajevo and Zagreb areas, and transport limitations. The Vinkovci station provides only 17 locomotives a day, or 35 percent less than the number needed for regular operation. This situation, the letter said, exists more or less throughout the entire year. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Oct 84 p 4]

WORKERS' WAGES IN LOSING FIRMS--From 1 to 20 August this year 72,991 workers in 419 basic organizations [of associated labor] accepted reduced wages (in accordance with the law) because of their enterprises' losses in 1983. The most reductions were in Bosnia-Hercegovina where 17,364 workers were affected, followed by Serbia (15,698), and Croatia (13,444). However, the facts show that in the first 6 months of this year losses amounted to 58 billion dinars and, with the inclusion of 1983 losses, totaled more than 140 billion dinars, indicating that the volume of losses are increasing and that losses from 1983 have not been made up. This means that the Law on Limiting Personal Incomes has been applied to fewer organizations than it

should have. If it had been fully applied (judging from available data, one cannot say exactly) 184,950 employees in 900 basic organizations should have received reduced personal incomes. It is not difficult to conclude from this that those who are [i.e., call themselves] "illiquid" are as skillful as "losers" in finding a way to avoid the law. Republic regulations have also not been fully complied with, because, of the 740,000 employed in 4,070 basic organizations which registered losses in their [1984] 6-month final accounts, 30 percent received above-average personal incomes. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 Oct 84 pp 14-15]

FOREIGN EXCHANGE OUTLAYS, 1985--According to the 1985 Social Agreement, the National Bank will make available \$105 million (or \$5 million less than this year) to import medicines, \$60 million (\$10 million less than this year) to import raw materials for detergents, \$110 million to import raw materials to produce fertilizers, \$10 million to import about 100,000 tons of sugar, \$80 million for soybeans and cooking oil, \$45 million for coffee, \$10 million for raw materials to manufacture rubber and synthetic rubber, and \$50 million (\$10 million less than in 1984) to import goods needed in tourist areas. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Oct 84 p 4]

KOSOVO UNEMPLOYMENT RISE--At the end of July Kosovo employment bureaus registered 3,266 persons, mostly young people, who are entering the job market for the first time. With this addition the number of unemployed in Kosovo has increased to over 100,000. The largest number of these, 40,150, have a secondary school education, 968 are university faculty graduates. In the first half of this year 8,174 persons found employment in the province. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 5 Oct 84 p 3]

KOSOVO DROUGHT REDUCES HARVEST--It is estimated that this year, because of the drought, the corn harvest in Kosovo will be 83 percent lower, the sugar beet harvest 46 percent lower, the sunflower harvest 62 percent lower, the grape harvest 20 percent lower, and tobacco production 40 percent lower than planned. Green fodder crops and pastureland have also been affected. The corn harvest is expected to be 241,688 tons less, sugar beets 35,291 tons less, sunflowers 6,013 tons less, and tobacco 2,117 tons less. Calculated according to current prices, this will result in a 7.5 billion dinar loss. Sugar mills are expected to be utilized to only 26 percent; and the lower corn production will have especially adverse effects on animal feed production. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Oct 84 p 11]

REDUCED WORKER REMITTANCES FORECAST--According to the 1985-1990 prognosis, worker remittances will steadily decline during this period. This year they will amount to about \$1.63 billion, next year \$1.6 billion, 1986 \$1.41 billion, 1987 \$1.26 billion, 1988 \$980 million, 1989 \$600 million, and 1990 \$400 million. These reductions will have to be made up by exports, it was noted. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Oct 84 p 3]

OBROVAC BAUXITE TO USSR--In the first 9 months of this year the "Dalmatian Bauxite Mines" work organization in Obrovac exported 238,000 tons of bauxite ore to the USSR, as planned. In this period the four mining plants of this organization produced 125,000 tons of ore and supplemented this with reserves

from 1983 production to meet export plans. The mines now have reserves of about 110,000 tons of bauxite. This year's planned production of 300,000 tons will all be delivered to the USSR. This year's production and exports are on a level with those of last year. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Oct 84 p 12]

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